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ABSTRACT

Providing comparative data on child care policies and programs in the State of Kentucky; this report presents an analysis of the issues, including regulation, licensing, tax and fiscal policies, subsidy programs, expenditures, availability, and quality. Data used in the study were the most current data available from the United States Department of Labor, the Kentucky Cabinet for Human Resources, and a thorough examination of the literature on day care. Comparisons were based on data from the adjacent states of Ohio, Tennessee, Virginia, North Carolina, and Indiana as well as several states having model child care programs, such as Massachusetts and Minnesota. Virginia and Massachusetts were included partly because those commonwealths have governmental structures similar to those of the Commonwealth of Kentucky. Two major areas of interest emerged in the course of the study. One involves the shortage of child care subsidies for poor women; the second involves the enhancement of child day care availability for middle and lower income working families. Chapter 1 includes background information and an overview of child care as it has emerged as a social, economic, and business issue. Chapter 2 analyzes the specific issues related to child care and provides comparative information from other states. Chapter 3 reviews policy and legislative options and considerations. A bibliography provides 60 citations. (RH)

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# STATUS OF CHILD CARE IN KENTUCKY

## A Comparative Analysis of Regulations, Expenditures, and Policies

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# STATUS OF CHILD CARE IN KENTUCKY

## A Comparative Analysis
## of
## Regulations, Expenditures, and Policies

**Lucinda R. Zoe, Research Associate**

**Lynne S. Kelly, Research Associate**

**December, 1988**

**Center for Business and Economic Research**
**University of Kentucky**
**Carolyn S. Looff, Executive Director**

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# EXECUTIVE SUMMARY

In the last 10-15 years, profound changes in the economic and social structure of society have increased the need for support systems for families. With a dramatic increase in the number of mothers entering the labor force and the increase in single-parent families and female-headed households, more than half of all mothers with children under 6 are currently in the labor force. As a result, child care has emerged as a growing and urgent issue for working parents and policy makers in both the public and private sector.

Business has come to depend on the increase in the number of women in the workforce. However, labor economists predict a skilled labor force shortage in the 1990s, with the rate of growth in the labor market expected to be cut in half between now and the year 2000. Business and government officials have begun to consider programs targeted at women with children, the fastest growing sector of the labor force. Given the changes in the workforce, child care has become a major concern of strategists who are developing policies to increase the quantity and quality of the labor force supply.

With the future of the labor force at stake, public and private sector decision makers are taking a much closer look at the links between child care and economic development and are developing policies and programs to provide cost-effective solutions. There is increasing concern about how state agencies will develop and finance these programs. In light of recent and pending federal legislation that will have a great impact on state government programs, there has been an increased demand for current information on the status of child day care in Kentucky. As policy makers attempt to address these problems, a variety of issues have emerged regarding Kentucky's system of financing and regulating child day care. In a systematic fashion, this report attempts to highlight these issues and determine Kentucky's relative position, as well as identify possible responses to address the state's child care needs.

## PURPOSE

The purpose of this report is to outline and compare child care programs and policies in Kentucky with those in several other states in the U.S. to determine Kentucky's relative position. The study covers an analysis of the issues, including regulation, licensing, tax and fiscal policies, subsidy programs, expenditures, availability and quality. Two major areas emerged in the course of the study. The first involves the shortage of child care subsidies for poor women, and the second is the enhancement of child day care availability for middle and lower income working families. It is the intention of this report to provide policy makers with a single source of the information in order to assess the child day care issue in Kentucky and make effective policy recommendations.

## ORGANIZATION

Chapter one provides background information and an overview of child care as it has emerged as a social, economic, and business issue. The second chapter analyzes the specific issues related to child care and provides comparative information of other states. The final chapter reviews policy and legislative options and considerations for addressing the issue of child day care in Kentucky.

## METHODOLOGY

The methodology used for this study consisted primarily of an analysis of the most current data available from the U.S. Department of Labor, the Kentucky Cabinet for Human Resources, and a thorough examination of the academic, business, and government literature on child day care. In order to do a comparative analysis to determine Kentucky's relative position, we chose several adjacent states, including Ohio, Tennessee, Virginia, North Carolina and Indiana, as well as several states that have model child care programs, such as Massachusetts and Minnesota. Virginia and Massachusetts were chosen as well because they, like Kentucky, are Commonwealths, with similar governmental structures.

## HIGHLIGHTS

- Child care is no longer a welfare issue or a women's issue, nor is it a luxury; it is an economic necessity and a critical element in strategies to increase the labor force and encourage economic growth.
- More than one half--56.7%--of all mothers with children under 6 are currently in the labor force.
- The labor force participation rates for women in Kentucky have gone from 17.6% in 1940 to 50% in 1980.
- Women with children under 6 are the fastest growing segment of the workforce.
- The rate of growth in the labor market between now and the year 2000 is expected to be cut in half. With the anticipated shortage of skilled labor, public and private sector decision makers are taking a closer look at the links between child care and economic development.
- The United States is the only developed country that has no national child care policy.
- In 1977, the Social Services Title XX program was the largest source of federal funding for child care, amounting to 40% of all federal spending on child care; by 1986, Title XX amounted to only 7% of total federal spending and the child care tax credit had become the primary form of federal subsidization, representing over 60% of all federal spending for child care.
- As federal support has declined, the need for child care assistance to help low-income families has increased and states have fought to maintain the level of their services.
- More than one half of the states have child care budgets that, after adjusting for inflation, are lower today than in 1981. Kentucky is one of four states that are serving close to the same number of children in 1987 as they did in 1981.
- As of October 1988, Kentucky had 15 counties with no licensed day care facilities at all, and 45 counties with no licensed family day care homes.
- Kentucky ranks 50th in 50 states in utilizing the Federal Child Care Food Program, due to the limited number of regulated family day care homes in the state.
- The average per month AFDC caseload in Kentucky is approximately 54,000 families, with 1,700 receiving child care assistance.
- There is no overall state policy for child care payments through the Job Training Partnership Act Program. The program is not uniform throughout the state and the rate and method of payment differ from one area to the next.

- In areas of the state with few licensed child care facilities and no organized child care agencies, child support services are limited to participants in the JTPA program.

- Many home day care providers are not licensed because of liability insurance and zoning ordinances.

- In Kentucky, more than 90,000 preschool children are in unregulated and invisible day care; there are also 100,000 school-aged children in invisible day care and it is unknown how many are caring for themselves.

- Kentucky has the lowest absolute staff-to-child ratios in the nation, and does not regulate programmatic issues.

- Kentucky has the lowest number of regulated family day care homes in the U.S.

- The most important variable affecting the quality of day care that children receive is the family's income. Low income families and single mothers are often locked out of the market.

- The average national cost of child day care for one preschool-aged child is $50 per week; day care for infants is significantly higher, costing as much as $100 per week for one baby.

- A single mother needs to earn a salary of more than $9.00 an hour to support herself and two preschoolers IF she needs to purchase day care.

- Changing from licensing to registration of family day care home providers would allow Kentucky to identify many more family day care homes and allow the state to qualify for revenue and training from the Federal Child Care Food Program.

- Better coordination of the licensing procedure could reduce barriers to entry for new center-based day care providers.

- Both inspectors and day care operators could benefit from a set of interpretative guidelines, which would explain what the regulations mean.

# ACKNOWLEDGMENTS

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# CHILD CARE IN KENTUCKY

## CHAPTER I: BACKGROUND AND OVERVIEW

### DEMOGRAPHIC TRENDS

In the last 10-15 years, there have been profound changes in the family, the economy and in the social structure of society that have created a need for support systems for working families. With a dramatic increase in the number of mothers entering the labor force and the increase in single-parent families and female-headed households, more than half (56.7% in 1987)[1] of all mothers with children under 6 are currently in the labor force. The civilian labor force participation rates for women 16 years and over was 56.5% in the first quarter of 1988; for women 25-54 years old, it was 72.3%,[2] and it is projected to continue rising in the United States to the year 2000. The labor force participation rate of women in Kentucky has climbed steadily in the past four decades. It went from 17.6% in 1940 to 50% in 1980. From 1980 to 1987, it has been between 49.5 and 51%.[3] For many of these women, finding quality child care for their children at a reasonable cost is a major problem. As a result, child care has emerged as a growing and urgent issue for working parents and for policy makers in both the public and private sector.

#### A Changing Economy, Family and Labor Force

The shift of America's economic base from manufacturing to services has dramatically altered the structure of the workplace. A structural transition is occurring in the nation's economy as the labor force is becoming more involved in producing services and information. Since the 1982 recession, 6 out of every 7 new jobs in the U.S. have been in the services-producing sector, with the largest job gains in retail trade; the finance/insurance/real estate industry; the health services; and business services such as computer and data processing.

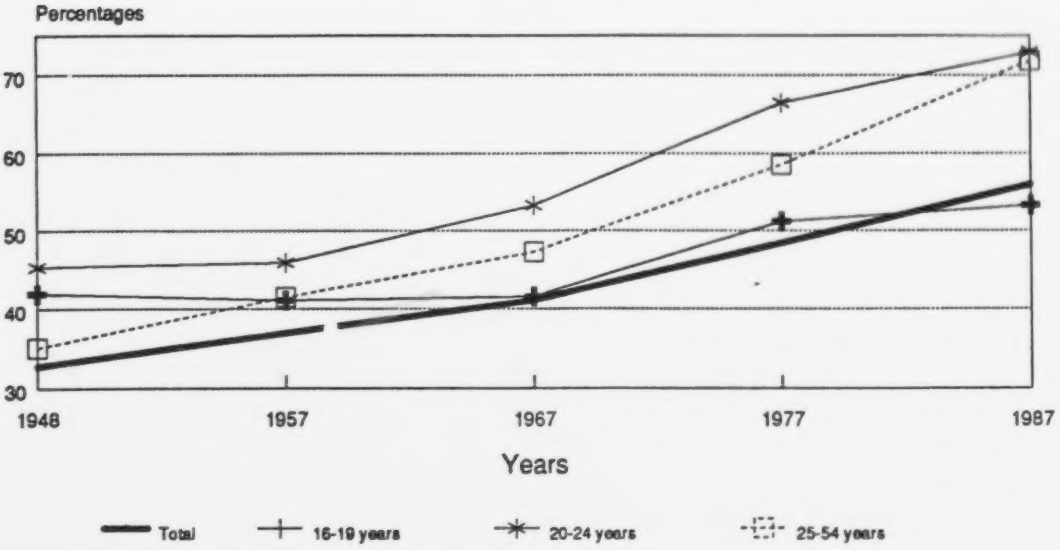
Growth in Kentucky's services-producing employment increased by 17.3% between 1980 and 1987. The two largest services-producing industries in Kentucky, retail trade and services, are also two of the fastest growing. Unfortunately, these two industries are

**FIGURE 1-1**

## Women in the U.S. Labor Force

By Age

1948-1987



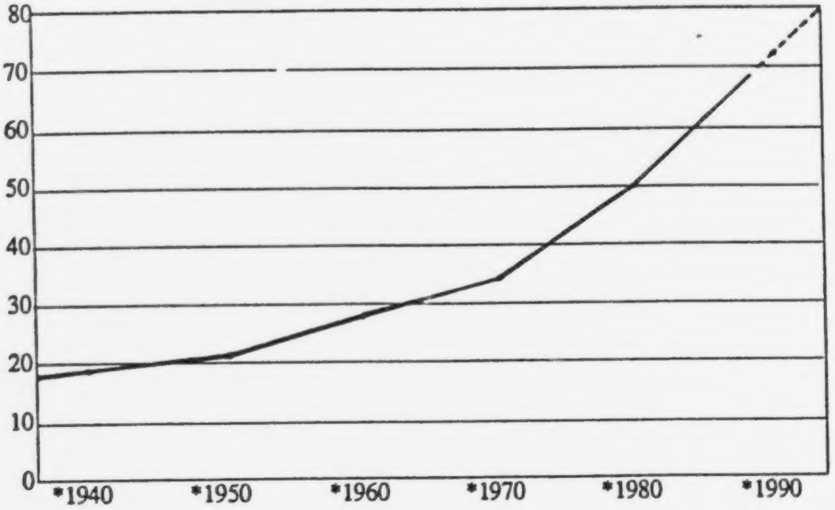
Source: U.S. Department of Labor    Bureau of Labor Statistics, Report 749, 1987

## FIGURE 1-2

Labor Force Participation Rates

Women in Kentucky
1940-1987

(Projected to 1990)



*Calculations based on females 14 years and older; 1977-87 based on females 16 years and older.

Source: Bureau of the Census, U.S. Census of Population, General Characteristics-Kentucky 1940, 1950, 160, 1970, and Bureau of Labor Statistics, U.S. Department of Labor, Geographic Profiles of Employment and Unemployment, 1977-1987 characterized by low wages. Wages are highest in manufacturing jobs, which are declining both in the nation and in Kentucky. Job growth is greatest in the relatively low-paying service sector, where jobs such as retail trade and personal service are found. So, even though the highest growth occurs in the service industries, these industries are plagued by below average earnings.

In his book, Tales of a New America, Robert Reich explores the economic trends that are reshaping our society. The nation's economic vitality has suffered over the past 30 years, and he reports that in 1960 the U.S. accounted for 35% of the world's economic output and was responsible for 22% of the world's exports, compared to 1980 when the U.S. share of economic output had fallen to 22% with our exports down 11%. But the shift from manufacturing to services, along with the increase of women entering the workforce, have been the most significant changes in the American economy. The post World War II America that was fueled by a strong manufacturing base and was characterized by one worker (usually male) earning a family wage with a spouse at home raising the family is no longer an economic or social reality in the 1980s.

Two other demographic changes have contributed to drastic changes in the structure of the labor force: a decline in the labor force growth rate and a decline in the population growth rate. Both labor force and population growth are predicted to grow more slowly than at any other time since the 1930s during the Depression. In addition, there has been a sharp decline in the nation's birth rates. The U.S. Bureau of the Census reports in the 1988 Statistical Abstract that the U.S. birth rate has gone from 23.7 per thousand in 1960 to 15.5 in 1986; in Kentucky the birth rates were 23.8 per thousand in 1960, compared to 13.9 in 1986. This in turn has lead to a decline in the number of young, teenage workers entering the labor force. Service sector employers have typically depended on teenage workers to fill the low-wage service sector jobs, and they are already facing the realities of a shrinking pool of potential employees. All of these factors lead to a small labor pool for the future.

The expanding service sector will demand more skilled and literate workers with the ability to work with computers and advanced machinery. Thirty years ago, a high school degree was not essential to working the manual labor jobs provided by the manufacturing sector. However, today the majority of new jobs being created will require more technical skills and workers who can clearly read, write, and learn new skills quickly. Education beyond high school will more than likely be required for the jobs that are being created between now and the year 2000. The American economy will need an educated, skilled workforce to fill the jobs being created by the expanding service sector to maintain and revitalize the economy.

Early childhood development professionals report that a child's first five years are critical in laying an educational base. By improving the quality of care, education, and training that our children receive, we are producing a better educated and capable workforce for the future. As more women with children have entered the workforce, and businesses have come to rely on their participation, the issue of quality child care has intersected with the economic realities of our present and future labor force.

Business has come to depend on the increase of women in the workforce. However, labor economists predict a skilled labor force shortage in the 1990s, and the rate of growth in the labor market between now and the year 2000 is expected to be cut in half. The shrinking labor supply is attributed to the coming of age of the "baby-bust" generation, and American businesses are already finding it difficult to hire new skilled workers, particularly in growing urban areas.[4] The decline in birth rates after 1960 has dramatically cut the number of workers available to fill jobs, and the competition for skilled, entry-level workers has begun. A September 1988 Business Week "Special Report" details the coming crisis, warning that the years of picky hiring are over and employers must look to nonmale, nonwhite, and nonyoung workers. As the pool of young workers shrinks, women will fill the gap, and more working mothers will increase the demand for child care. Business Week emphasizes three Census Bureau labor statistics: 73% of all working women are of childbearing age; 60% of all school-age kids have mothers in the workforce (up from 39% in 1970); and women with children under 6 are the fastest growing segment of the workforce.

Given the coming labor shortage, Business Week states that building a new, more diverse workforce and making it tick will be one of corporate America's biggest challenges in the years ahead.

## A SOCIAL, POLITICAL AND BUSINESS ISSUE

This trend in the labor force activity of American women has taken the child care issue out of the home and thrust it into the economic and political arena of government policy makers and employers. Child care has become one of the most important social, political, and business issues of the 1980s and represents a significant challenge to the nation. With the future of our workforce at stake, public and private sector decision makers are taking a closer look at the links between child care and economic development and implementing policies and programs to provide cost-effective solutions. There is also a growing concern that children placed in substandard facilities are likely to grow up disadvantaged and be unable to meet the demands of the competitive global economy of the future.

The Southern Growth Policies Board (SGPB), a public, interstate agency governed and supported by southern state and local governments, recently released a report on the future of the south's labor force, urging states to play a more aggressive role in encouraging more private and non-profit investment in child care. SGPB point to a number of options, such as serving as an information clearing house for day care providers and users, devising and coordinating comprehensive state policies on child care, improving licensing and training for day care providers, and increasing and targeting child care benefits to families least able to access high quality child care.[5] In addition, SGPB urges states to carefully study the federal legislation pending before Congress to assess the impact it will have on funding and tax benefits for child care and be ready to design supplemental programs to fill the gaps that may remain.

## A BRIEF HISTORY

During the Civil War, ammunitions and clothing manufacturers established day nurseries to enable women to participate in the war effort, and during World War I a similar need prompted hospitals and other war-related industries to provide child care to attract the

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help they needed. In 1943, during World War II, the federal government first provided child care funds under the Lanham Act as a wartime emergency measure. Approximately 2,500 day care centers were established to care for children whose mothers were working in wartime industries. After World War II, industry interest in child care decreased, and by the 1950s child care had become a welfare issue--a program implemented to help women get off the welfare rolls. In the 1960s, the federal government took a new interest in child care with the welfare amendments of 1961 and the Department of Health, Education and Welfare requested to President Kennedy that funds be appropriated for child care. It was during this time that standards were considered, and licensing evolved in most of the states that had not yet implemented licensing.

## One Step Forward, Two Steps Back

In 1967, Congress passed legislation that allowed for the rapid tax amortization of capital expenses for on-site day care centers, which resulted in a number of companies opening centers hoping to make a profit. Others provided child care assistance as a means of demonstrating social responsibility. At this time, between 1964-1972, close to 18 corporate on-site centers and 70 hospital based centers were opened. Then in 1972, President Nixon vetoed a comprehensive national child-care bill. In 1976, the federal tax code was amended to allow working parents with a dependent child to take a tax credit on child care expenses. Then, in 1981 federal involvement in child care was affected when the Title XX program, which provides child care funds for low and moderate income families, was turned into a block grant program. Funds targeted for child care were cut by $200 million, and the number of children served under this program declined in 32 states between 1981 and 1983.

Child care has emerged once again, as it did in the beginning, as a labor supply issue, and employers have taken a new interest in providing some form of child care assistance. The family needs of workers have taken on new significance in a competitive world market where employer's concerns are focused on recruiting a good work force in an increasingly tight labor market.[6]

## EMPLOYER SPONSORED CHILD CARE

Business and government officials now have an increased interest in considering programs targeted at women with children, the fastest growing sector of the labor force. Child care is expensive, and many low- and moderate-income women are unable to gain access to existing child care facilities. Lack of affordable, accessible child care has become a major obstacle for a number of families trying to support themselves and their children. Even with the increase in women's labor force participation rates, many women still cannot work due to the scarcity and high cost of quality child care.[7] However, if the present trend of increased awareness of the child care problem continues, both employers and families can be expected to benefit from the expansion and improvement of the child care industry. This expansion will allow more parents to enter the work force. Some of the expected benefits are based upon employer surveys which report that child care programs are beneficial to the company by improving morale, increasing productivity, and reducing turnover and tardiness, all of which cut the cost of recruiting and keeping employees in a tight job market.[8] Although private sector companies continue to report positive benefits to their companies, there have not been any comprehensive empirical studies that document the cost-benefit of child care assistance. There have, however, been a number of studies done in individual corporations that have consistently reported savings in recruitment costs, decreases in turnover rates, and savings in lost work hours due to less tardiness and absenteeism.[9] Due to changes in the work force and the concern of employers to attract and keep a good productive workforce, employer-sponsored child care assistance has increased in the past decade. The number of companies offering some form of child care assistance increased from a national total of 105 employers in 1978 to 412 in 1982, to 1,800 in 1985 to an estimated 3,500 as of October 1988.[10]

According to a 1987 survey by the Bureau of Labor Statistics (BLS), two-thirds of the nation's businesses with ten or more employees offer some form of child care assistance. However, only 10% provide specific child-care benefits, and most offer only flexible work schedules. Of establishments with 10 or more employees, just 2% provide employer-sponsored child care. Three percent provide assistance with child care expenses, 5% provide information and referral and counseling, and 61% have policies that may facilitate child care. Thirty-seven percent have no benefits or policies (See figure 1-3). Forty-four percent provide flexible scheduling, 35% allow for voluntary part-time schedules, 43% have flexible leave, and 8.5% allow employees to work at home.[11]

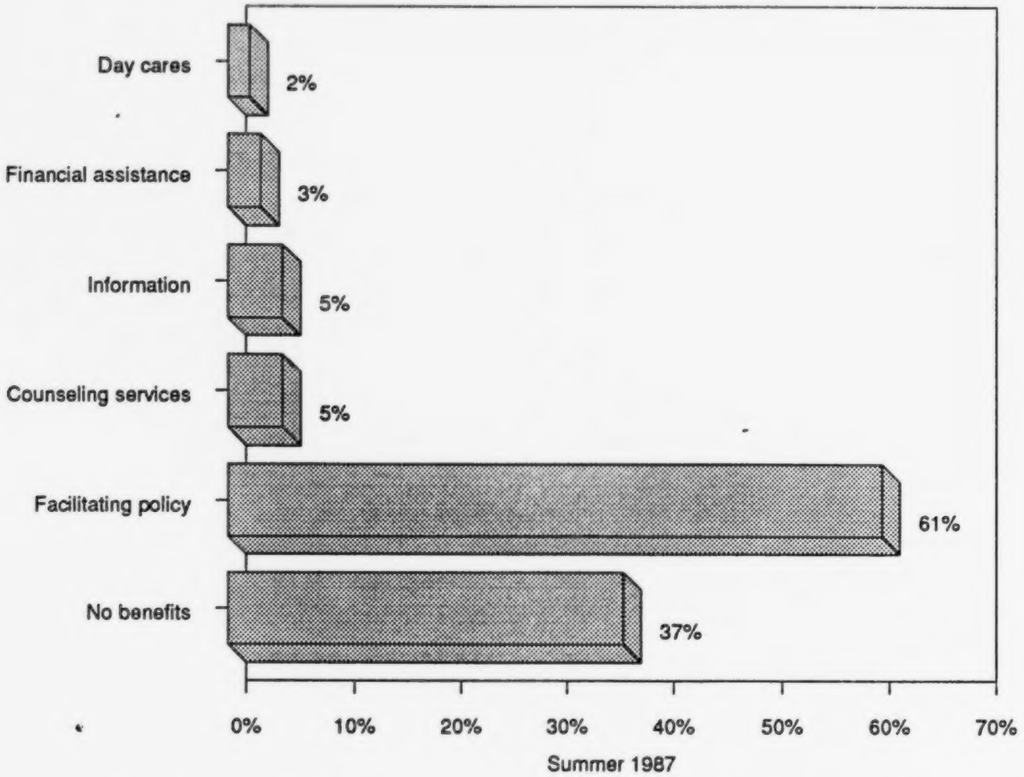
Employer-assisted child care takes a variety of forms. Some employers are providing child care centers, either on-site or close by, while others offer discounts, voucher/subsidies, or salary reduction agreements to subsidize outside child care. Resource and referral services are also being implemented to aid employees. Other options include alternative work schedules, flextime, job-sharing and flexible benefit plans with a child care option (See Figure 1-4). BLS also reports that government agencies are more likely than firms in private industry to provide child care benefits or services to their employees. Among private establishments, those providing benefits or services were substantially higher in the services-producing sector than in the goods sector. These differences have been attributed to the fact that 5 of 10 employees in services-producing industries, compared to 3 of 10 in goods-producing industries, are women (See Figure 1-5).

The Conference Board, a New-York based business research organization, reported in a 1985 study that two major factors have caused businesses to respond to child care needs. First, employers recognize that a parent's inability to pay for quality child care may be the cause of absenteeism and poor performance. The second reason is found in the tax laws: in 1981 when the Economic Recovery Tax Act was passed, child care became a nontaxable benefit and an option to include in flexible benefit plans and salary-reduction programs.[12]

On-site child care is an option that very few employers have chosen, primarily due to insurance and liability concerns, and because start-up costs and regulatory requirements are often a problem. Some employers are beginning to support child care development in their communities that will aid their employees. Primary deterrents to employer-sponsored programs are a lack of information, awareness and technical assistance on child care options, as well as the lack of solid empirical evidence that their involvement does indeed improve productivity.[13]

**FIGURE 1-3**

Employer Sponsored Child Care Assistance *



Source: BLS Reports on Employer Child Care Practices

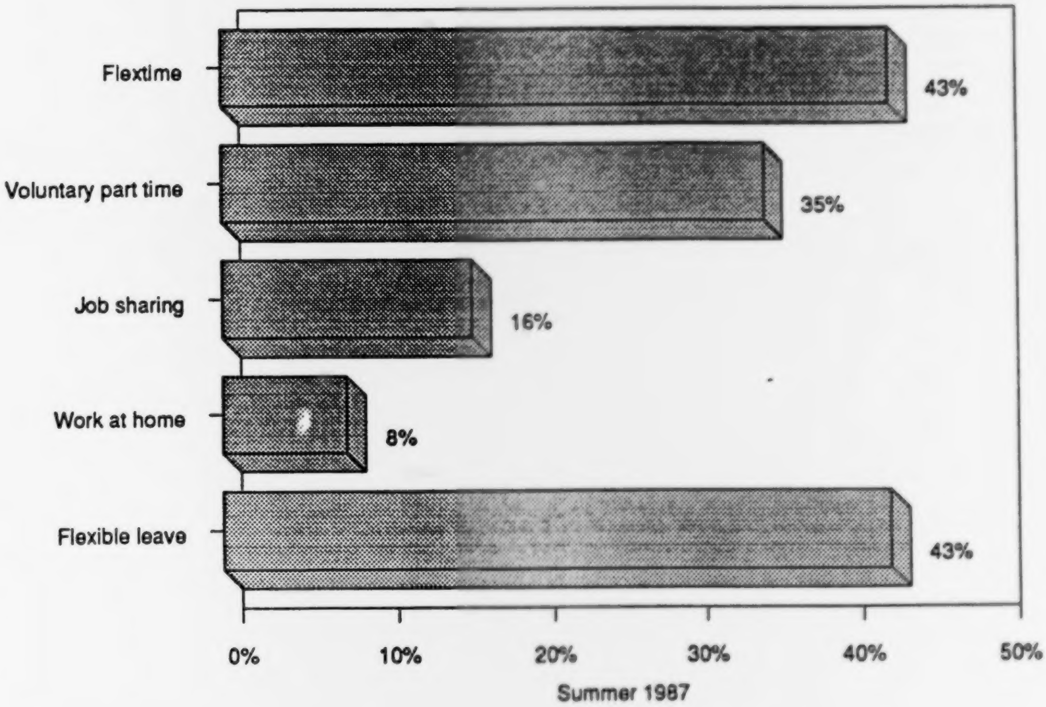
U.S. Dept. of Labor, BLS, 1988

*Businesses with 100 or more employees

**FIGURE 1-4**

## Work Schedule Policies*

### Aiding Child Care



Source: BLS Reports on Employer Child Care Practices

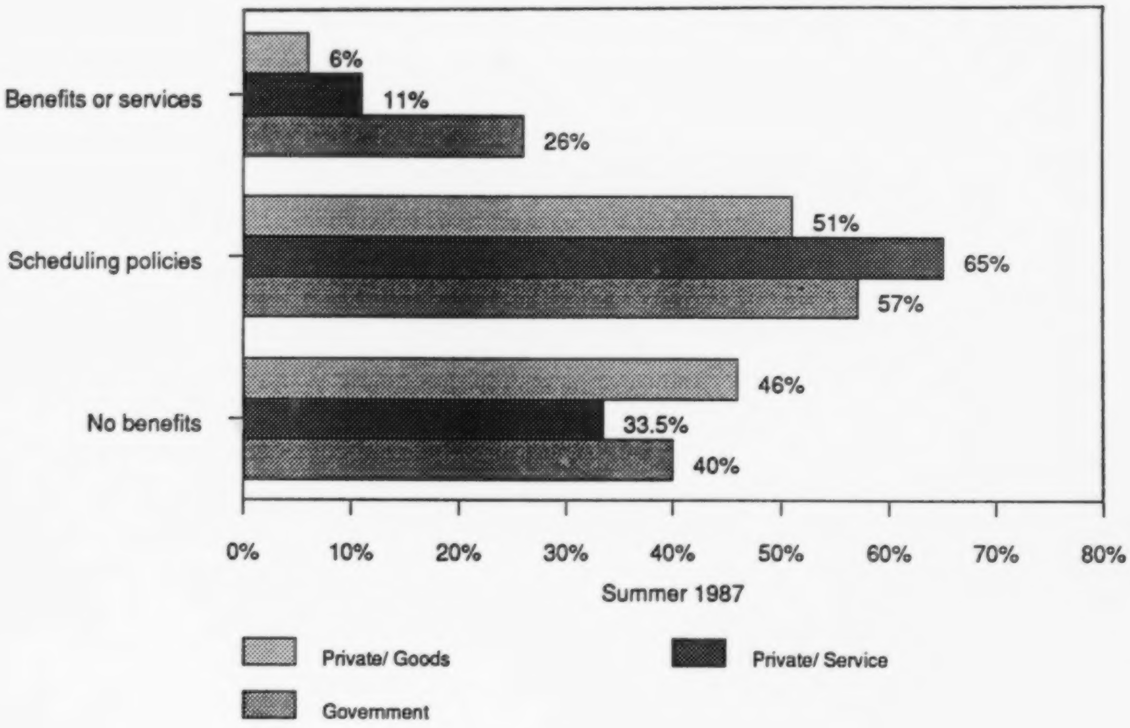
U.S. Dept. of Labor, BLS, 1988

*Businesses with 100 or more employees

**FIGURE 1-5**

## Private and Government Establishments*

## Benefits and Work Schedule Policies



Source: BLS Reports on Employer Child Care Practices

U.S. Dept. of Labor, BLS, 1988

*Businesses with 100 or more employees

## ATTENTION AT THE FEDERAL AND STATE LEVELS

The United States is currently the only developed country that has no national child care policy. Although there are a wide variety of government programs that supply or subsidize child care, there is no coordinated policy, which has led to criticism of a fragmented system that is inefficient in the distribution of child care benefits.[14] The federal government does play a significant role in providing child care funds with programs designed to aid various segments of the population, such as tax subsidies for the middle class, job programs for welfare recipients and food and education programs to aid in child development. However, many of the programs do not specify the child care component, so much of the federal spending related to child care cannot be precisely documented.

In addition, most of the benefits from the recent increase in federal government subsidies have gone to middle and upper income families, and many fear there is a growing inequity in the distribution of federal child care benefits. From 1977 to 1986 the child care tax credit expanded, and by 1986 the tax credit had become the primary form of federal subsidization of child care, which amounted to over 60% of all federal spending on child care. In 1977, the Title XX Program was the largest source of federal funding, representing 40% of total spending. By 1986, Title XX amounted to only 7% of total federal spending. It was at this time that the Title XX program was amended to create the Social Services Block Grant and funds were cut by 20%. As a result, Title XX funding decreased by more than one-half. Low-income families depend on benefits other than the tax credit, so even though overall federal spending for child care has increased by close to 50% since 1977, there has been a definite shift in the distribution, with the majority of the increased benefits going to middle and upper income families.[15]

### Federal Legislation

In 1987, over 70 bills pertaining to child care were introduced to Congress. Some of these bills call for new programs, while others are asking for an increase in funding for existing programs. The bills address all sides of financing, from service delivery to tax credits, including some bills that would expand employer subsidies by implementing a tax credit for employer-assisted child care and requiring benefit plans to provide a child care option. Many of the pending bills address child care concerns of special groups, such as child care subsidies for welfare recipients in job training programs, or funds for disadvantaged children, dislocated workers, and residents in public housing. Other bills ask for increased funding for the Title XX and Head Start Programs and the food programs for children in day care. Still other bills call for improvements in state licensing and regulatory systems and the establishment of a federal agency to coordinate a national child care policy. Among all the bills pending, the most comprehensive and widely supported is the Act for Better Child Care Services (HR 3660, S 1885), known as the ABC Act.

Although the ABC Act recently died in the U.S. Senate, it is expected to be reintroduced when the 101st Congress convenes in 1989. The ABC Act calls for $2.5 billion in federal funds and focuses on affordable child care for low and moderate income families. Federal block grants would be used to provide an incentive for matching funds from each state. The act would also set federal standards for operating child care centers and some of the funds would be allocated for training and increasing the salaries of child care workers. The ABC Act is popular among child care advocates because it is so comprehensive and because it does establish a commitment to standards, similar to the standards that we have for the quality of education. One controversial aspect of the ABC Act is that it would ban the use of federal funds for child care in church operated facilities "unless all religious symbols and artifacts are covered or have been removed" from the child care rooms. Federal money cannot be used for capital improvements to church related facilities. However, another major bill pending would allow churches to establish corporations in order to run child care centers. This is the $375 million Child Care Services Improvement Act, known also as the Hatch-Johnson proposal.

The Hatch-Johnson proposal would allocate $250 million in grants the first year to local governments, businesses and others to expand and improve child care services. It would be supplemented by tax credits for employers that have on-site child care centers, and it would provide $100 million to help states establish liability pools open to accredited child care providers and remove liability barriers for non-profit child care. In addition, it provides for a

$25 million Revolving Loan Fund that family based centers can borrow from to make improvements and meet licensing standards. Unlike the ABC Act, this bill has no income test.

The recently passed $3.3 billion Family Support Act of 1988 will have a major impact on the state's social services programs. This act will replace five federal work and training programs with a Job Opportunities and Basic Skills Training Program in order to help welfare families become more self-sufficient. States will be required to start the program by fiscal year 1990, and Kentucky will have to take a close look at how this welfare reform package will impact the state's social services programs.

The October 10 and 24 issues of the "Day Care U.S.A Newsletter," an independent biweekly newsletter of day care information, reported the following on the impact of the Family Support Act on child day care: Parents will be required to participate in training, education or employment programs, and states must guarantee child care while they are in the program. All states will be required to operate AFDC-UP programs, which provide welfare benefits to impoverished two-parent families in which the primary wage-earner is unemployed. Regulations will be issued regarding rates, and providers will have to meet state and local regulations and allow for parental access. States also "must endeavor to develop guidelines for family day care." They will have to determine their own policies for providing day care and set acceptable market rates that complement the Health and Human Services (HHS) guidelines. States will be required to pay at least $175 per month for children two years old and up and $200 per month for children under two. The Department of Health and Human Services may give $13 million to states in FY 1990 and FY 1991 to improve licensing and monitor the care that is provided by the program. States will be required to make a 10% match and will have to report to HHS. Although there are no solid figures available yet, it is estimated that the state match will be somewhere in the neighborhood of $20 million.

Families may also get transitional child care benefits for up to a year after leaving welfare. The Congressional Budget Office estimates that this year-long transitional day care aspect of the program will mean an additional 250,000 children per month will be placed in day care in FY 1991, increasing to 280,000 per month in years 1992 and 1993. The federal share of the transitional funding is estimated to be approximately $205 million in FY 1991, $245 million in FY 1992, and $255 million in FY 1993. They have not yet determined how many additional children will be placed in day care due to the bill's education and training program.

The bill authorizes studies on whether people turn to welfare to get additional transitional benefits, and it will allow ten states to conduct demonstration projects on early childhood development programs to improve cognitive and linguistic skills of children under five. Five states can conduct demonstration projects to determine if the hiring of welfare mothers as child care providers for other welfare families will help in getting people off welfare. A Comprehensive Child Development Centers Program received a Congressional appropriation of $19.76 million.

The family day care issue will certainly come up as a result of this new bill because states will have to develop new guidelines and report to HHS. Family day care is a key component of the new welfare reform bill, and a change in the law to pull more homes into the regulatory net to meet federal requirements will also help to facilitate more family day care homes. In Kentucky, when a parent receives a day care subsidy through the AFDC program there are currently no requirements or guidelines regarding where or how the parent chooses to use the subsidy. This is a critical point because there are a number of counties in Kentucky that have no licensed day care slots or centers at all, and under the new legislation parents can no longer use the subsidy for hiring babysitters. Day care advocates, including the Children's Defense Fund and the Child Welfare League of America, opposed the bill due to its lack of provisions to expand the child care supply and because they do not believe that family day care providers need to be regulated.

**State Level Activity**

On the state level there has also been an increase in activity regarding child care initiatives. As states have come to recognize that child care issues are essentially labor force issues, they have begun to seriously consider new programs aimed at increasing the labor force participation rates of women and minorities. Some states have pursued this more aggressively than others, but all states have some child care policy or program. State child care initiatives include: funding, training for providers, resource and referral services, regulations and standards for providers, community education projects, model employer programs, and joint projects with the private sector. Table 1-1 outlines recent legislation enacted by selected states. Twenty-nine states are subsidizing child care through state tax codes with either deductions or credits for parents, and a few states give direct or indirect assistance to state employees.[16]

As employers, a few states have introduced programs for their employees. Table 1-2 demonstrates some of the ways in which these states attempt to provide for their own employees.

The states' primary source of funding for low-income families comes from the federal Title XX program, although there are four states--Alaska, California, Michigan and Montana--and the District of Columbia that allocate state funds to aid low-income families with child care needs rather than use Title XX funds. A few states are using their educational systems to serve child care needs with before and after school programs. There is a range of options for states seeking to improve and expand their child care services. Rhode Island, Oregon and Connecticut, for instance, provide tax credits for child care services, and last fall the Oregon legislature passed a Senate bill that offers tax relief for employers who provide dependent care services. The Florida Legislature increased its Title XX child care budget for low-income families by close to $5 million, and Indiana approved a five-cent increase in the state cigarette tax to help support child care and health programs for low-income families. The state of Minnesota linked child care to employment and training and authorized bond issues to construct 19 day care centers at Community Colleges and Technical Schools, while the state of Arizona amended their tax code to remove child care centers from a business tax category, placing them in the same category as nursing homes and treatment centers.

## TABLE 1-1
## NEW LEGISLATION RELATED TO CHILD CARE

### 1987 Legislation

| | |
|---|---|
| Indiana | Authorization grants to create five child care programs for low-income pre-school children. |
| Kentucky | Increased AFDC grants by 5% and allocated more funds for child care in the AFDC program. |
| Massachusetts | No new 1987 legislation, massive reform began in 1985. |
| Minnesota | Required child care providers to pay more than 110% of the county average wage for child care workers in order to secure maximum reimbursement for subsidized child care. Required case managers of AFDC recipients receiving employment and training services to coordinate necessary child care services. |
| New York | Exempts parents of children enrolled in a day care center or Head Start Program who volunteer as staff from background checks. Requires a background check of assistant group family day care providers. |
| | Authorizes the Commissioner of the Department of Social Services to award contracts to non-profit organizations or ther specified agencies for the administration of child care resource and referral agencies. |
| | Extended the expiration date of a grant program for the start up costs of non-school-hour child care programs until October 1990. Allows money to be spent for the expansion and upgrade of facilities. |
| North Carolina | Amended the day care licensing law. Exempts day care homes with less than three children from registration and adds new catagories of child care homes and centers. Also, increased the fines for violating licensing laws from $50 to $300; reduced the age requirement for child care staff from 18 to 16; and reduced inspections of day care homes to a biennial basis. |
| Ohio | Exempts certain activities with children from child day care licensing requirements. |
| | Makes child care programs operated by school districts and eligible non-public school subject to regulation by the state Board of Education if they operate in school buildings. |
| Tennessee | Limits the number of children in a family day care home to seven, and limits in a group home to 12, with an allowance for three additional school-age children. |
| | Outlines licensing procedures for child care facilities including a 90-day conditional licensing period, yearly licensing renewal, fines and probation for substantial non-compliance of standards, and notice of probation to parents. |
| | Prohibits discrimination in provider reimbursement between day care centers, family, or group day care homes by the Department of Human Resources. |
| | Created a special joint committee to study the child abuse registry and screening of child care providers. |
| | Directs the Select Joint Committee to continue its day care study and extends the tenure of the committee until the January 1988 reporting date. |
| | Requires the state Board of Education to publish a report on the Preschool/Parenting Learning Center at a high school. Requires the Board to provide technical assistance in setting up such centers at other schools. |
| | Requires providers in day care centers and family or group day care home to be reimbursed by the Department of Human Resources in the same manner and time frame. |

Source: Child Care: A Workforce Issue, U.S. Department of Labor, 1988.

## TABLE 1-2

## CHILD CARE PROGRAMS FOR STATE EMPLOYEES
### Policies & Programs

| | |
|---|---|
| Indiana | No program for state employees. |
| Kentucky | No program for state employees. |
| Massachusetts | Offers state employees child care services through programs operated by a private-non-profit corporation, State provides space, utilities, postage, telephone, overhead costs and maintenance. |
| Minnesota | No program for state employees. |
| Mississippi | Provides on-site child care services for legislative employees. |
| New York | Empire State Day Care Services was established in 1979 by virtue of negotiation between the Civil Service Employees Association. Since 1979, it has expanded to 30 sites, all operated in state facilities, half of which are on state colleges and university campuses. |
| North Carolina | No program for state employees. |
| Ohio | State provided money for capital improvements and "Children First" was established as a tax-exempt, non-profit corporation to contract with the state. Has an on-site/near-site center for state employees. In April 1988, the center expanded its capacity from 30 to 100-150 children. Satellite centers in other Ohio cities are being planned. |
| Tennessee | No program for state employees. |
| Virginia | No program for state employees. |

Source: Child Care: A Workforce Issue, U.S. Department of Labor, 1988.

## Implications For The Future

Child care has made its way to the top of the national agenda and has become a major concern of working women, families and policy makers. Given the passage of the Family Support Act of 1988 which will change how public assistance programs are operated, and the advent of the fiscal federalism of the Reagan era, there is increasing concern about how state agencies will finance their needed programs. Child care is an economic as well as a social issue, and a number of states are broadening their support for child care initiatives. One thing is certain: the federal legislation now pending before Congress will have a direct impact on how states will address the child care issue. For example, if the ABC Act is eventually passed, federal block grants would be used to provide an incentive for state matching funds. This bill could provide a $47 million appropriation for the state of Kentucky for subsidized child care, but Kentucky must provide a match of $27 million in order to qualify. Will it make economic sense for Kentucky to make this match? It is for this reason that states are being encouraged to carefully study their child care needs in light of coming legislation.

After an overview of the demographic trends and labor force issues related to the increased need for child care and a look at the position of employers and federal and state governments in addressing the issue, the next section of this report constitutes a more specific analysis of the individual issues associated with child care. This section provides a detailed review of subsidies, licensing and regulations, availability, accessibility and the quality of child care in Kentucky.

## CHAPTER 1: FOOTNOTES

[1] BLS NEWS: Labor Force Participation Unchanged Among Mothers with Young Children, (Washington, DC: U.S. Department of Labor, Bureau of Labor Statistics, 9/7/88).

[2] Employment in Perspective: Women in the Labor Force, (Washington, DC: U.S. Department of Labor, BLS Report 752, First Quarter 1988).

[3] Bureau of the Census, U.S. Census of Population, General Characteristics-Kentucky 1940, 1950, 1960, 1970, and Bureau of Labor Statistics, U.S. Department of Labor, Geographic Profiles of Employment and Unemployment, 1977-1987.

[4] David E. Bloom & Todd P. Steen, "Why Child Care is Good for Business," (American Demographics, August 1988).

[5] Susan Levy, "Taking Care of the South's Future Labor Force: Programs that Expand Child Care Options," FORESIGHT (Research Triangle, NC: SGPB, 1988).

[6] Dana Friedman, "Corporate Financial Assistance for Child Care," Research Bulletin No. 177 (New York, NY: The Conference Board, Inc., 1985) and Elinor Guggenheimer, "History of Child Care," Public Opinion, March/April 1988.

[7] Margaret K. Nelson, "Providing Family Day Care: An Analysis of Home-Based Work," Social Problems, Vol. 35, No. 1, February 1988.

[8] Report to Congressional Requesters, Child Care Employer Assistance for Private Sector and Federal Employees, (Wash., DC: General Accounting Office, 1986).

[9] Child Care: A Workforce Issue (Wash., DC: U.S. Department of Labor, 1988).

[10] Telephone Interview & 1985 study, New York: The Conference Board, 1988.

[11] Bloom & Steen, American Demographics, August 1988.

[12] Corporate Financial Assistance for Child Care (New York: The Conference Board, 1985).

[13] Child Care: A Workforce Issue (Wash., DC: US. Dept of Labor, 1988).

[14] Philip Robins, "Federal Support for Child Care: Current Policies and a Proposed New System" FOCUS (Madison, Wisconsin: Institute for Research on Poverty, Summer 1988).

[15] Ibid.

[16] Child Care: A Workforce Issue (Dept. of Labor, 1988).

# CHAPTER II: THE ISSUES

## SUBSIDIES

### Overview

Although the federal government does have a variety of programs that do provide child care assistance, there is no program whose sole purpose is to provide direct assistance to aid lower income families with child care costs. There are at least 22 federal programs that provide some form of child care assistance, and most of them can be categorized as either supply subsidies or demand subsidies. Direct subsidies of child care facilities under the Social Services Block Grant, the Head Start Program, and the Child Care Food Program are examples of supply subsidies, while demand subsidies include voucher programs under Title XX and the Child and Dependent Care Tax Credit. Some programs provide a combination of supply and demand subsidies, which allows a family to choose the provider, then pay the facility directly. This approach to using Title XX funds increases consumer choice, although demand subsidies vary in the degree to which consumer choice is restricted. Often, families are required to use specific types of child care facilities so that they can qualify for benefits. For instance, in-home care is usually not subsidized under Title XX, although it is reimbursed in part under the child care tax credit.[1]

The Title XX Social Services Block Grant provides federal funds to states to permit the development of social services programs tailored to meet the needs of each individual state. Most of the specific federal requirements were removed, thus allowing each state to set up its own requirements. Kentucky uses its Social Services Block Grant funds to assist with the provision of social services mandated by the Kentucky Revised Statutes. In Kentucky, we use our funds to support the following program areas: adoption, adult protection, alternate care, child protection, day care, day treatment, emergency shelter, group homes, home care, homemaker, juvenile services, maternity home, preventive services, residential, and training.

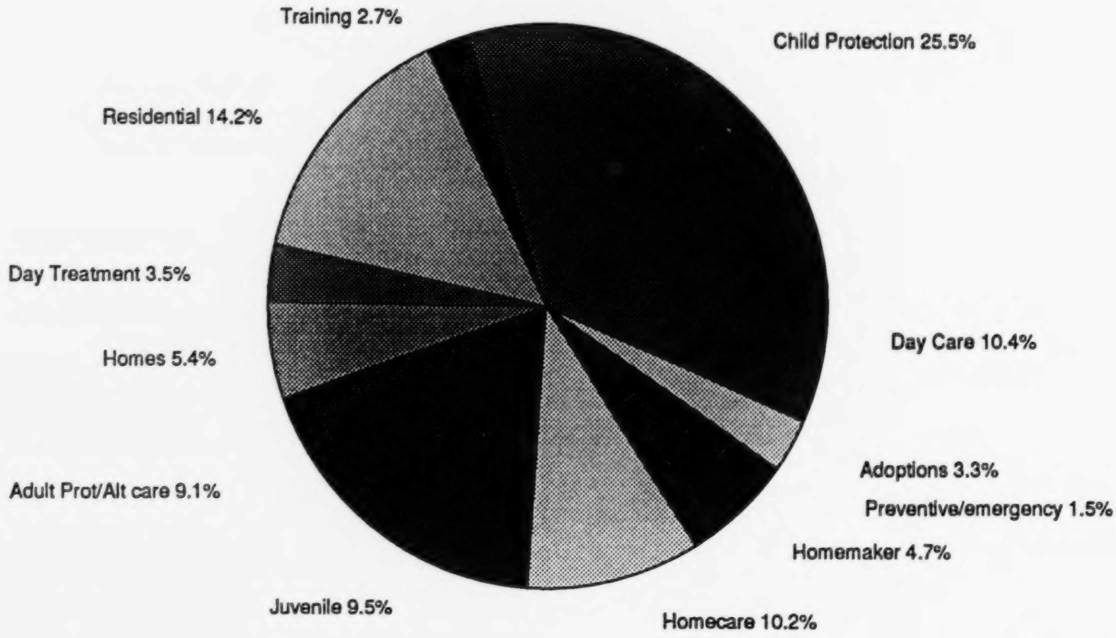
The states decide how much of their block grant will be used for each of the services. Funds are allocated to states on the basis of state population and there are no state matching requirements. The majority of the states use the Social Services Block Grant to fund their child care assistance programs. The laws governing Title XX expenditures are flexible, which allows Title XX money to meet the needs of children of all age groups. In the main, states use Title XX child care funds to aid the working poor who receive AFDC or those who earn too much to qualify but still have very low incomes, adolescent mothers, children in need of protective services and parents who are enrolled in school or training programs.

Federal Title XX funds have declined in the past decade. Since the program was cut by 20% in 1981 for 1982, Congress has approved two modest increases in Title XX funds. After adjusting for inflation, the Title XX appropriation for 1987 was close to 50% of the 1977 level, and for fiscal year 1988 it is less than half that of fiscal year 1977.[2] In 1980, the states were spending about 18% of their federal Title XX funds for child care. However, in 1981 the federal government eliminated reporting requirements that required a breakdown of federal and state spending under Title XX, so the exact current breakdown is not available, but it is suspected that the 1980 figure of 18% is still applicable.[3] Records of the Kentucky Department of Social Services show that in fiscal year 1987, 10.4% of the state's federal block grant was allocated for child care. Figure 2-1 shows how Kentucky allocates its Social Services Block grant funds. For fiscal year 1987-88, the total federal Title XX block grant funds Kentucky received were $41,904,961. This year, FY 1988-89, the total allocation is $41,257,544, a decrease from the previous year.

Currently, more than half of the states (28) have child care budgets that, after adjusting for inflation, are lower today than in 1981. Eighteen states served more children in 1987 than in 1981; twenty-two states served fewer children; and four states are serving close to the same number in 1987 as they did in 1981. Kentucky is one of these four states. As seen in Table 2-1, state expenditures on child care differ dramatically. Some states have managed to maintain their level of support, while others have fallen behind.

FIGURE 2-1

## Percent of Expenditures by Program Area
## Social Services Block Grant, 1987



Source: Kentucky Cabinet for Human Resources Department for Social Services

## TABLE 2-1

## CHANGE IN STATE EXPENDITURES FOR CHILD CARE TITLE XX/SOCIAL SERVICES BLOCK GRANTS 1981-1987

(in millions)

| State | FY 1981 | FY 1986 | FY 1987 | % Change 1986-1987 | % Change 1981-1987 |
|---|---|---|---|---|---|
| INDIANA | | | | | |
| Real Dollars | $ 9.3 | $ 8.8 | $ 8.8 | 0.0% | - 5.4% |
| Current Dollars | 8.4 | 9.6 | 10.0 | 4.1 | 19.0 |
| KENTUCKY | | | | | |
| Real Dollars | 4.1 | 5.2 | 7.0 | 34.6 | 70.0 |
| Current Dollars | 3.8 | 5.7 | 7.9 | 38.3 | 107.9 |
| MASSACHUSETTS | | | | | |
| Real Dollars | 47.3 | 62.5 | 61.9 | - 9.6 | 30.9 |
| Current Dollars | 43.0 | 68.6 | 70.2 | 2.3 | 63.3 |
| NEW YORK | | | | | |
| Real Dollars | 137.2 | 146.0 | 145.1 | - .6 | 5.8 |
| Current Dollars | 124.7 | 160.0 | 164.8 | .03 | 32.2 |
| NORTH CAROLINA | | | | | |
| Real Dollars | 20.9 | 22.3 | 24.3 | 9.0 | 16.3 |
| Current Dollars | 19.0 | 24.4 | 27.6 | 13.1 | 45.3 |
| OHIO | | | | | |
| Real Dollars | 39.3 | 23.7 | 25.1 | 5.9 | - 36.1 |
| Current Dollars | 35.7 | 26.7 | 28.5 | 6.7 | - 20.2 |
| TENNESSEE | | | | | |
| Real Dollars | 15.6 | 11.7 | 12.0 | 2.6 | - 23.1 |
| Current Dollars | 14.2 | 12.8 | 13.6 | 6.3 | - 4.2 |
| VIRGINIA | | | | | |
| Real Dollars | 8.9 | 3.0 | 3.3 | 10.0 | - 62.9 |
| Current Dollars | 8.1 | 3.3 | 3.7 | 12.1 | - 54.3 |
| CPI VALUES[1] | 90.6 | 109.7 | 113.6 | | |

[1] The Consumer Price Index was used to adjust current dollars to real dollars. Values used are shown in the table. 1982 and 1984 averages are valued at zero in this adjustment. Current dollars refer to actual amounts spent during particular years. Real Dollars are adjusted for inflation, and therefore provide a better basis for comparison over time.

[2] These figures are not adjusted for population.

[3] Minnesota was omitted because data were not available.

[4] Raw data source is Children's Defense Fund. Child Care Fact Book, 1987.

As federal support has declined and states have fought to maintain the level of their services, the need for child care assistance to help low-income families has continued to increase. From 1981 to 1986, the number of children younger than six whose mothers were in the labor force increased by 21.4%, a growth of 1.76 million children.[4] The 1980 census data shows that there were 53,039 families with children under 6 living in poverty in Kentucky, and 19,116 of these families were female-headed households. In Kentucky, nearly half the counties provide no child care assistance to low-income working families. Some states have tried to make up for the loss of federal support by increasing their own commitments to child care.

During the last three years, more legislators and governors have come to recognize the link between child care and the economic vitality of their state. Twenty-nine states subsidize child care through their tax codes; twenty states and the District of Columbia give tax credits to parents with a dollar-for-dollar subsidy; eight states allow child care expenses as a deduction for parents and subsidize a percentage of the cost, and many states have tax benefits that are set by the federal tax subsidies. At least eight states provide tax credits or deductions to employers who provide child care assistance to their employees.[5]

There are four federal programs that account for over 90% of federal spending on child care. They are the Head Start Program under the Department of Health and Human Services, the Child Care Food Program of the Department of Agriculture, and Tax Exclusion for Employer-Provided Child Care and the Child and Dependent Care Tax Credit from the Internal Revenue Service.

### The Child Care Tax Credit

Probably the most significant change in federal subsidies for child care has been the use of the child care tax credit. Philip K. Robins, of the Institute for Research on Poverty at the University of Wisconsin-Madison, did an analysis of the use of the child care tax credit and found that from 1976 to 1985 child care subsidies provided through the child care tax credit increased by 350% in constant dollars (adjusted for inflation). Robins summarized the changes since the tax credit was first introduced in 1976; originally, the credit was 20% for all families, but in 1982 it was increased to 30% of child care costs for low-income families and reduced on a sliding scale for those with incomes over $28,000. At the same time, the maximum amount of child care costs to which credit could be applied increased from $2,000 to $2,400 for one child and from $4,000 to $4,800 for two or more children. Finally, the credit was added to the short income tax form in 1983, extending coverage to more low-income families. Robins found that even though the credit was increased from 20 to 30% for low-income families, the maximum real benefit was only 6% higher in 1982 than in 1976, and for middle and upper income families, the maximum benefit declined by 29%. Therefore, although the average credit per family in 1982 was 13% higher than in 1981, it was only 3% higher than in 1976. Although the number of taxpayers using the credit increased when it was added to the short form, the size of the average credit remained about the same.[6]

The 1986 Tax Reform Act has created even more complications and inequities in the distribution of federal child care subsidies where the tax system is used to provide employee benefits through Flexible Spending Accounts (FSAs). An FSA is a fund that employees can draw from to cover various expenses, including child care. These FSA funds are not taxable, so families can get a subsidy from the federal government equal to the taxes saved because of voluntary salary reduction. Unlike the child care tax credit, which provides a higher percentage of subsidies to lower-income families, FSAs are regressive in the sense that they provide a higher percentage of subsidies to higher-income families. A further complication is the fact that those who qualify for an FSA can also use the child care tax credit. Robins found that although the 1986 Tax Reform Act reduced taxes for many low-income families, many of them lost portions of their child care subsidies as a result. This tax credit loss has been the greatest for those families earning between $10,000 and $16,000. For families in this income bracket their subsidy is now approximately 30% lower than it was before the Tax Reform Act. Robins estimates that the Tax Reform Act will eliminate close to $164 million in child care subsidies for the poorest 30% of families, and he concludes that the above situation illustrates how a "fragmented system of overlapping child care subsidies can create inefficiencies, inequities, and perverse incentives."[7]

The Kentucky income tax deduction still operates under the 1975 federal guidelines. The Kentucky itemized deduction for household and dependent care services is substantially different from the federal credit for child and dependent care services. Kentucky rules are more restrictive, as they follow the Internal Revenue code that went into effect in December of 1975. While the federal code provides a credit against tax, Kentucky requires allowable expenses to be claimed as an itemized deduction on Schedule A (Schedule H, form 740-Expenses for Household and Dependent Care Services).

You may only claim child care expenses for a child under 15 if you were entitled to claim that child as a dependent, and the taxpayer must be gainfully employed on a substantially full-time basis during any month for which expenses are claimed. If married, both you and your spouse must meet the employment tests. Kentucky limits total deductible expenses to $400 per household per month. Monthly expenses for care of dependents under 15 years old outside the household are limited to $200 for one child, $300 for two children, and $400 for more than two. If your combined income exceeds $35,000, the amount of the deductions must be reduced, and if the income exceeds $44,600, no deduction may be claimed.

Fiscal policies differ from state to state, with some states taking the lead in developing additional fiscal policies related to child care. As is seen in Table 2-2, several states, such as Massachusetts and Minnesota have set up grant or loan programs to aid in the construction, renovation and start-up of child care programs, while other states, such as Ohio, provide additional technical assistance on regulation and licensing to day care administrators.

**Purchase of Day Care Title XX Program**

The Purchase of Day Care Program in Kentucky subsidizes child care for "at risk" children under protection and for children of working parents who meet the income requirements. This program is funded through the Title XX Social Services Block Grant, and it is the only Title XX Social Service whose income criteria cap is at 60% of the state median income. The Department for Social Services within the Cabinet for Human Resources is responsible for policies and procedures for the Purchase of Day Care Program.

There are two priorities for day care services: Priority I--Protection and Priority II--Working parents. They are to first serve abused and multi-problem children and then low-income children of working families. There is no category which is designed to assist parents who are currently in school or training. So this program does not specifically provide assistance to teen-age parents who need to complete high school, AFDC parents who need to develop job skills, or parents who need additional training or education to increase their employability.

This program serves between 5,000 and 6,000 children a month and the subsidy is paid directly to the child care facility. An approval process is required of all families that apply, and each applicant has to come to the local office to apply for entry into the program. Ideally, there are offices or representatives in each county, but in cases where there is no worker in the immediate area, a worker will go to the county to interview the applicant. Families cannot earn over 60% of the state median income to qualify for the service, which pays up to $8.00 per day. In some cases they will pay $9.00 per day if the child has special needs and requires special services. There is also a part time scale which will pay $5.00 per day.

As shown in Table 2-5, states differ on the maximum daily rates for preschool care. The most Kentucky will pay is $40.00-$45.00 per week. Day care advocates, such as Community Coordinated Child Care, feel the 60% income cap for families is inadequate and have called for an increase in the income cap from 60% to 80% of the state median income. Under the current system, a single parent earning $4.75 an hour is ineligible for service, and with a gross income of $190 per week, a $40-$50 per week child care fee for one child is costly. As Table 2-4 shows, Kentucky has one of the lower income eligibility scales for Title XX subsidized day care. The maximum percentage of state median income which families can earn and remain eligible for child care assistance is 150% in Indiana, 70%-150% in Massachusettes, 170% in Mississippi, 75% in North Carolina, 100% in Ohio, and 70% in both Tennessee and Virginia.

## TABLE 2-2
## STATE TAX AND FISCAL POLICIES

| | State dependent care Tax Credit | Additional Policies |
|---|---|---|
| Indiana | NO tax credit or deduction | Increased cigarette tax 5 cents a pack, with revenue going for child care programs. |
| Kentucky | Tax deduction is independent of federal code | $400 limit per household. |
| Massachusetts | Tax deduction is tied to federal code, allowing a 100% deduction for federally allowed expenses | Financed a $750,000 pilot loan program to fund start-up costs, renovation, or construction of child care programs. |
| Minnesota | Provides tax credit of $720 for up to two dependents for those with incomes less than $10,000 | Has grant program for providers for start-up, renovation, expansion and training expenses, or for purchase of equipment. Also, a state bond issue was authorized to build 16 day care centers at community colleges & technical schools. |
| New York | Allows a 20% dependent care state tax credit of the federal credit | $3 million was appropriated for planning, remodeling, renovation, operation, and purchase of equipment for new non-profit all day child care programs. Also, $100,000 was appropriated to hire additional staff to license, certify, or register child care programs. |
| North Carolina | Allows a dependent care tax credit which is independent of the federal provision | 7% of employment-related expenses are allowed, up to $4,000 per year. |
| Ohio | Tax code includes a 25% dependent care tax credit, based on the federal provision | Department of Development offers technical assistance on regulation and licensing to day care administrators and providers establishing their own business. |
| Tennessee | State only taxes unearned income | |
| Virginia | Child care tax deduction is equal to 100% of federally allowed expenses | |

Source: Child Care: A Workforce Issue, U.S. Department of Labor, 1988.

A sliding fee is charged for child day care when the gross income equals or exceeds the following:

### TABLE 2-3

### Purchase of Day Care Program - Sliding Fee Charges

| | Gross Income | |
|---|---|---|
| Family Size | Annual | Monthly |
| 2 | $ 7,400 | $ 616.67 |
| 3 | 9,300 | 775.00 |
| 4 | 11,200 | 993.33 |
| 5 | 13,100 | 1,091.67 |
| 6 | 15,000 | 1,250.00 |
| 7 | 16,900 | 1,408.33 |
| 8 | 18,800 | 1,566.67 |
| 9 | 20,700 | 1,725.00 |
| 10 | 22,600 | 1,883.33 |

Source: Department for Social Services, Cabinet for Human Resources, "Preliminary Plan" and Catalog of Services, March, 1988.

For each additional family member, $1,900 is added. The fee is set at 7.5% of the gross family income. For example, a family of four with one child in day care with an annual gross income of $11,200 would be required to pay a fee calculated in this manner:

> $11,200 x 7.5% = $840.00 divided by 52= $16.15 a week, or $16.15 divided by 5 days comes out to a fee of $3.23 a day that the family would have to pay, and the Purchase of Day Care Program would cover the remaining cost up to $8.00. However, in those cases where child day care is provided to prevent or remedy abuse, neglect or exploitation of the child, no fee is charged since protection is a mandated service.

In July of 1988 the Purchase of Day Care Program served 2,594 families for a total of 5,641 children state-wide. In this same month there were 1,337 families with 2,151 children on the waiting list. As of October 1986, 62 of Kentucky's 120 counties had no low-income working families being served in the Title XX Purchase of Day care Program, and 45 Kentucky counties had no children being served under any eligibility category. Of these 45 counties, 13 had no licensed child care slots.[8] As of October 1988, Kentucky had 15 counties with no licensed day care facilities at all, and 45 counties with no family day care homes. As seen in Table 2-6, Kentucky has been able to at least maintain its 1981 level of available slots provided by Title XX funds.

The current budget is $7.12 million for fiscal years 1988-89 and 1989-1990 with $1 million allocated for expansion over the next two years. The funds allocated for child care are a combination of federal and state funds, with the federal split being close to 57% of the total allocation. The Department of Social Services had originally requested a total of $10 million to increase staff positions, but they did not receive the funding to increase the number of workers in needed areas of the state.

## TABLE 2-4

## INCOME ELIGIBILITY GUIDELINES FOR CHILD CARE ASSISTANCE
**[Figures are percentage of state median income, unless otherwise specified]***

| State | Maximum percentage of state median income which families can earn and remain eligible for child child care assistance 1987 | Maximum allowable annual income for family of three in 1987 | Comments |
|---|---|---|---|
| INDIANA | 150% of the federal poverty level | $13,956 | |
| KENTUCKY | 60% | $12,145 | |
| MASSACHUSETTS | 70%-115% | $17,292-28,404 | Massachusetts allows families earning 70% of the SMI to enter the child care subsidy program. Once in the program, families are allowed to earn up to 115% of SMI before becoming ineligible. As of October 1, the dollar figures will be changed from $17,292 to $17,964 and from $28, 404 to $29,520. |
| MINNESOTA | 75% | $19,395 | Minnesota's sliding fee scale program, from all state funds, picks up after Title XX serving families earning between 0 and 75% of the state median income. |
| MISSISSIPPI | 170% | $15,504 | Mississippi no longer bases eligibility upon the federal poverty guidelines. |
| NEW YORK | 255% of poverty | $24,312 | New York has another funding stream for subsidized child care. To be eligible for these funds a family of three can earn 175% of FPL, or up to 200% in waivered cases. |
| NORTH CAROLINA | 75% | $13,652 | North Carolina changed its income eligibility standards in FY 1987. The maximum income allowed for a family of three that is a new client is $11,874. For continuing clients, the maximum income is $15,832. |
| OHIO | 100% | $11,286 | Ohio families earning 100% of state median income are eligible for partial assistance on a sliding fee scale basis. |
| TENNESSEE | 70% | $14,039 | |
| VIRGINIA | 70% | $1,641/mo. | Virginia's sliding fee scale program, which is all state-funded, picks up after Title XX to serve families earning between 50% and 70% of the SMI. Ten to 15 counties serve families earning in this range. |

Source: State Child Care Fact Book, 1987 Children's Defense Fund.

## TABLE 2-5
## STATE TITLE XX/SOCIAL SERVICES BLOCK GRANT CENTER-BASED PROVIDER REIMBURSEMENT RATES

(Rates shown are maximum daily rates for preschool care, except as otherwise noted)

| State | FY 1986 | FY 1987 |
|---|---|---|
| ALABAMA | $ 140.00 | $ 140.00/mo. |
| ALASKA* | 14.00-16.46 | 300.00/mo. |
| ARIZONA | 9.55 | 9.55 |
| ARKANSAS | .50-1.10/hr. | 7.15-9.00 |
| CALIFORNIA* | 18.69 | 18.85 |
| COLORADO | 9.50-15.00 | 9.00-15.00 |
| CONNECTICUT | 45.00/wk. | 75.00/wk. |
| DELAWARE | 50.00-52.00/wk. | 50.00/wk. |
| DISTRICT OF COLUMBIA | 13.00 | 15.50 |
| FLORIDA | 38.50/wk. | 38.50/wk. |
| GEORGIA | 46.70/wk. | 46.00/wk. |
| HAWAII | 258.00/mo. | 258.00/mo. |
| IDAHO | 6.00 | 6.00 |
| ILLINOIS | 12.62 | 12.62 |
| INDIANA | 10.00 | 10.00 |
| IOWA | 12.50-12.75 | 12.00 |
| KANSAS | 8.73 | 8.35 |
| KENTUCKY | 8.00 | 8.00 |
| LOUISIANA | 7.00 | 7.00 |
| MAINE | 63.56/wk. | 71.68/wk. |
| MARYLAND | 10.00 | 10.50 |
| MASSACHUSETTS | 16.15 | 21.36 |
| MICHIGAN | 8.12 | 8.52 |
| MINNESOTA | 45.00-99.00/wk. | 51.75-109.00/wk. |
| MISSISSIPPI | 7.00-12.00 | 9.00 |
| MISSOURI | 7.00 | 7.15 |
| MONTANA* | 9.00 | 9.00 |
| NEBRASKA | 7.50 | 37.50/wk. |
| NEVADA | 15.00 | 12.00 |
| NEW HAMPSHIRE | 8.00 | 9.00 |
| NEW JERSEY | 9.71-10.31 | 10.50-11.15 |
| NEW MEXICO | 7.50 | 7.75 |
| NEW YORK STATE | 60.00/wk. | 60.00/wk. |
| NEW YORK CITY | 97.25/wk. | 97.25/wk. |
| NORTH CAROLINA | 168.00/mo. | 168.00/mo. |
| NORTH DAKOTA | counties set rates according to market rates | |
| OHIO | counties set rates according to market rates | |
| OKLAHOMA | 9.00 | 8.00 |
| OREGON* | 206.00/mo. | 214.00/mo. |
| PENNSYLVANIA | 14.23 | 14.23 |
| RHODE ISLAND | 49.00/wk. | 55.00-80.00/wk. |
| SOUTH CAROLINA | 1.25-1.57/hr. | 1.33-1.70/hr. |
| SOUTH DAKOTA | 1.00/hr. | N/A |
| TENNESSEE | 30.00/wk. | 30.00/wk. |
| TEXAS | N/A | 10.28 |
| UTAH | 7.95 | 7.95 |
| VERMONT | 1.38/hr. | 1.45/hr. |
| VIRGINIA | regional offices set rates | |
| WASHINGTON | 8.89 | 8.89 |
| WEST VIRGINIA | 7.00 | 7.00 |
| WISCONSIN | counties set rates according to market rates | |
| WYOMING | 1.00/hr. | 1.05/hr. |

* State uses no federal Title XX funds for child care. All funds are state funds.

Source: Children's Defense Fund, State Child Care Fact Book, 1987.

## TABLE 2-6

## CHILDREN SERVED OR SLOTS PROVIDED BY TITLE XX SOCIAL SERVICES BLOCK GRANT FUNDS

| State | FY 1981 | FY 1986 | FY 1987 | Percentage Change 1986-1987 | Percentage Change 1981-1987 |
|---|---|---|---|---|---|
| INDIANA | 11,200 | 7,813 | 7,560 | - 3.2 | - 32.5 |
| KENTUCKY | 6,985 | 6,800 | 7,004 | + 3.0 | + .3 |
| MASSACHUSETTS | 12,000 | 15,550 | 17,510 | + 12.6 | + 45.9 |
| MINNESOTA | 41,961 | 15,000 | N/A | N/A | N/A |
| **NEW YORK | 94,442 | 57,000 | 59,900 | + 5.1 | N/A |
| NORTH CAROLINA | 15,000 | 14,500 | 13,519 | - 6.8 | - 9.9 |
| OHIO | 39,650 | 15,200 | 15,800 | + 3.9 | - 60.2 |
| TENNESSEE | 13,000 | 12,555 | 11,067 | - 11.9 | - 14.9 |
| ***VIRGINIA | 5,200 | 3,083 | 3,044 | - 1.3 | - 41.5 |

** 1981 figure for New York includes adults as well as children.

*** Virginia serves additional children through its sliding fee scale program for low-income working families passed in 1986.

N/A = Not Available

NOTE: The number of children served cannot be totaled because some states keep a record of child care slots while others provide data on total number of children served.

Source: Children's Defense Fund, State Child Care Fact Book, 1987.

**Child Care Food Program (CCFP)**

The agency responsible for the Child Care Food Program is the U.S. Department of Agriculture. It provides funds and commodities to States for meals served to children in public and private nonprofit day care centers, family and group day care centers. Private for-profit centers may participate in this program if they receive Title XX funds for at least 25% of the children in their care. With the exception of family day care homes, day care programs are reimbursed according to a legislatively set reimbursement rate for each meal served based on the kind of meal served and the family income of the child. Reimbursement rates for family day care homes are based on the types of meal served only. In addition to providing the funds for food to meet federal nutrition standards, this program also provides training and technical support for participating centers with four site visits per year--a welcome additional benefit for states with few trained professionals to aid centers who strive to improve.

This federal nutrition program is administered by the Kentucky Department of Education, Division of School Food Service and provides food reimbursement to in-home child care providers. The child care provider must meet the following criteria: 1) be under a state approved regulated system, 2) agree to meet federal nutrition standards, and 3) be under the sponsorship of a non-profit organization. The federal government covers the costs of the provider at a rate of approximately $11.00 per week per child, pays the non-profit sponsor a fee of $53.00 per home per month and covers the administrative costs of the Kentucky Department of Education. In addition, the program provides close to $2,000 to each new sponsoring organization to cover the initial start-up costs.

Kentucky ranks 50th in 50 states in utilizing this program because of the low number of regulated family day care homes in the state. This major federal subsidy is not being taken full advantage of in Kentucky because, unless a family day care center is licensed, CCFP funding is not available to the provider. House Bill 730 in the last legislative session was designed to remedy this problem by making it easier to create more family care homes. This legislation, had it been enacted, would have established within the Cabinet for Human Resources a voluntary registration program for family day care providers that cared for three or less children. Licensing, as opposed to registration, requires that family day care centers comply with zoning laws, which are different in every county, and this makes new start-ups difficult. Liability insurance, which is required by state mandate, is a barrier to entry due to its minimum cost of $500 for a home care provider. This bill, allowing registration of home day care providers, was opposed by the private sector for several reasons. Some opponents believed it created unfair competition by allowing family day care homes to open without the capital outlay that licensing requires. House Bill 730 failed to pass out of the House with a 49-49 vote. This issue is discussed further in a later section of the report.

### Aid to Families with Dependent Children (AFDC)

AFDC is the main federal source of cash welfare for families with dependent children. A 1987 study by the U.S. General Accounting Office (GAO) reported that in 1985 11 million people, or 3.7 million families received AFDC, with close to 10 million recipients living in families with only one parent--usually a woman.[9] The number of single-parent families receiving AFDC almost doubled from 1970 to 1985, going from 1.8 million to 3.4 million, a reflection of the growth of the number of female-headed households living below the poverty threshold. The poverty rate for persons in female-headed households in Kentucky is 39.2%.[10] Child care costs are a major factor for women on AFDC who are trying to find and keep a job and achieve financial independence. The GAO report found that close to 60% of the AFDC work program respondents reported that lack of child care prevented participation.

By definition, an AFDC recipient has at least one child or dependent. In order to participate in a work or training program, the recipient may need to find child care, but is often limited because it is unaffordable or unavailable. In most AFDC programs, recipients can receive child care as a support service. In the main, AFDC programs pay for a variety of child care services for their participants who are in an educational program or are working. However, most programs spend very little of their own budget on child care and rely on other external resources, such as the Title XX program to cover child care support for their recipients. The GAO reported that of the 59 programs they surveyed, 38 used their own funds to reimburse participants or providers for child care. Overall, child care accounted for 6.4% of the median program's budget. Some states have made a strong commitment to child care in their budgets, with at least a sixth of the programs spending more than 10% of their budgets on child care. In Massachusetts, 32%-- over $400 per participant--was spent to provide this service.[11]

Kentucky's AFDC program provides for child care out of its own budget and with the aid of federal matching funds provided by Title 4A of the Social Security Act, with the state paying approximately 30% and the federal government making a 70% match. In the current year, 3.1% of the state's AFDC funds and 3.1% of the federal match is spent in child care support services.[12] The child care subsidy is added to the recipient's AFDC grant and the money goes directly to the participant to cover child care costs. The funds can be used by the recipient for any type of child care they choose, be it in-house babysitters or in licensed child care facilities. Beginning in February 1989, the recipient can request that the funds be paid directly to the child care provider if so desired. If the AFDC recipient is working, they can deduct child care expenses from their income, but if they are in school there is a special needs program set up to provide services.

Child care supplements are offered through the Department of Social Insurance, which is reponsible for the Special Requirement Educational Allowance (SREA) Program. Through this program, child care is provided to recipients while attending school at a set rate according to the type of educational program in which the recipient is enrolled. For example, as seen in Table 2-7 an AFDC mother enrolled in high school with one child can receive $174 per month for child care for up to 27 months. Additionally, any AFDC caretaker relative who is enrolled full-time or part-time in school or training, regardless of the recipient of SREA, is eligible for a $20 per month educational transportation allowance. This allowance is added to the AFDC grant in the same manner as the SREA.

One problem area is that the transfer payment cannot be made until the recipient is actively attending school, and this often results in a two month lag time with no child care aid. Due to the fact that 70% of the funds come from the federal match, the program administrators are required to verify the need of recipients with receipts, therefore the lag time cannot be avoided. However, AFDC administrators recognize that this is a problem and are working to expedite the time it takes to get the subsidy to the provider. It was for this reason that a new policy was implemented that allows for recipients to request that the funds be paid directly to the centers. Administrators expect that this will cut the lag time down to 5-6 weeks and allow more AFDC mothers to go to school and become employable.

House Bill 381, which recently passed in the last legislative session, provides resources to get more AFDC mothers in school. This bill increases the AFDC grants by 5% and allocates more funds for child care subsidies. The average per month AFDC caseload in Kentucky is approximately 54,000, with 1,700 receiving child care assistance for the month of October 1988. The intent of House Bill 381 is for the Cabinet for Human Resources to move an additional 1% of AFDC recipients into education and training programs yearly.

## TABLE 2-7

## SREA Payment Rates and Time Limits

## (Per Month)

| Program | (1 child) Full-time | (1 child) Part-time | (2 or more children) Full-time | (2 or more children) Part-time | Time Limits |
|---|---|---|---|---|---|
| Literacy | $ 20 | | $ 36 | | 24 months |
| GED | 94 | | 164 | | 16 months |
| Elementary Junior High | 174 | | 313 | | 27 months |
| High School | 174 | | 313 | | 27 months |
| Vocational | 174 | | 313 | | 24 months |
| College/Univ. | 174 | $103 | 313 | $185 | 50 months |
| Kenan Project | 143 | | 257 | | 24 months |

Source: Kentucky Cabinet for Human Resources, Branch Manager Correspondance 10/88

The GAO study found that many AFDC programs fail to adequately report and track the information on client support services. The general lack of data on the proportion of participants needing child care aid makes analyzing the programs difficult, especially in terms of assessing the need for child care services. There are very few federal reporting requirements or standard definitions, which has resulted in programs collecting the data they choose. The GAO recommended the development of a federal reporting system with standard definitions and a more consistent structure for program evaluation to facilitate assessing and comparing programs and determining their effectiveness. However, Kentucky is one of the few states that does collect data on the number of participants receiving child care support services, and in fact Kentucky has been recognized nationally for work in error reduction, with an error rate below 3%.

**Job Training Partnership Act Program (JTPA)**

When the Comprehensive Employment and Training Act (CETA) expired in 1982, it was replaced by the Job Training and Partnership Act in October 1983. Administered by the U.S. Department of Labor, JTPA provides training and assistance to unskilled and economically disadvantaged people who need it in order to obtain employment. The act is administered by the states, which are divided into service delivery areas (SDAs) where the training services are delivered. Each SDA must have a Private Industry Council (PIC) which consists of local business leaders and representatives of educational agencies, organized labor, rehabilitation agencies, community-based organizations, economic development agencies, and the public employment service. It is the responsiblity of the PICs, in cooperation with local elected officials, to provide overall policy guidance and oversight for the local training and employment program. They are also responsible for determining procedures for developing a job training plan and choosing an organization to administer the plan.

Program participants are provided with support services, such as transportation, health care, meals, temporary shelter, special handicapped services, financial counseling and child care so that they are able to participate in training. Job training programs are created by the joint efforts of local elected officials and private industry councils (PICs). In order to insure that the majority of JTPA funds would be spent on training, Congress limited the amount SDAs could spend on administration and support services. Under JTPA, the SDAs are required to spend 70% of their allocation on training services and no more than 15% of their funds on administrative costs, which leaves 15% for support services. Both administration and support services come out of the 30%, so SDAs that require the full 15% for administration are limited to 15% for support services.

Participant support services are offered to enable an individual who could not otherwise afford to receive job training or to participate in the program. A 1985 GAO study on JTPA reported that the support services most commonly requested and provided were transportation and child care. A number of methods are used by SDAs to provide support services; such as providing cash directly to participants to pay for specific services; entering into agreements with state, local or community-based organizations to arrange and provide services; and paying the service provider directly. SDA administrators and PIC representatives were surveyed on the impact of participant support limitations, and 55% of the SDA administrators and 45% of the PIC representatives indicated that the limitations had a negative impact on the SDAs ability to meet the objectives of JTPA.[13]

A number of SDAs provide these services by supplementing their funds through agreements with other agencies or seeking funds from other sources. Sixty percent of the SDAs that responded to the GAO study and reported that they entered into at least one unfunded agreement with another agency to provide support services. For example, one SDA in Massachusetts had unfunded agreements with the State Department of Public Welfare and the Department of Social Services to provide child care services to JTPA participants.

There is no overall state policy for child care payments for JTPA participants in Kentucky. The program is not uniform throughout the state, as it is up to each individual SDA and their PIC to determine if child care is to be considered a support service and if so, what the rate and method of payment will be. In the main, there is a child care subsidy of some sort available for those in need while they are in the program. However, after the training period ends, the child care subsidy is cut off, or only runs through the first two weeks of employment.

In many areas of the state, this lack of transitional support can be a problem for many families trying to get on their feet. The degree of support that is offered depends on the individual PIC and the amount of support services that are available in their area. For example, the JTPA program in the Louisville Jefferson County SDA has a contract with Community Coordinated Child Care (4-C) of Louisville to provide child care services for training participants. The PIC in this SDA is very supportive of child care provisions and with the help of 4-C, they were able to locate their service in the employment offices in downtown Louisville, which makes access to the program easier for those in need. In areas of the state with few licensed child care facilities and no organized agency such as 4-C, child care support services are limited.

Table 2-8 demonstrates the diversity in services offered and the method of payment by SDA. Areas such as Louisville/Jefferson county have a much higher percentage of participants receiving a subsidy than do areas in less affluent parts of the state, such as the TENCO SDA operating out of Maysville or the Barren River SDA in the Bowling Green area. Thirty-six percent of the SDAs do not offer child care as a support service. Most of the SDAs provide the child care subsidy only during the training period. Methods of payment differ,

## TABLE 2-8

### JTPA Child Care Support Service Service Delivery Areas (SDAs)

| | Is Child Care approved as a support service | Time Allowance | Method of Payment | Total Number of Participants/ # Receiving Child Care | % Getting Child Care Subsidy |
|---|---|---|---|---|---|
| Purchase/ Pennyrile SDA | No | ---- | ---- | ---- | ---- |
| *Lincoln Trail SDA | Yes | only while in training | pays center | 4,793/1271 | 5.7% |
| Louisville/ Jefferson SDA | Yes | up to 26 weeks on a graduated scale | pays center directly | 2,800/457 | 16.3% |
| North Central KY Council SDA | Yes | while in training & 2 weeks after | pays center directly | 443/31 | 7.0% |
| Northern KY SDA | Yes | only while in training | pays participant | 1,600/250 | 15.6% |
| TENCO SDA | Yes | only while in training | pays participant | 1,300/35 | 2.7% |
| Eastern Kentucky CEP SDA | No | ---- | ---- | ---- | ---- |
| Cumberlands SDA | No | ---- | ---- | ---- | ---- |
| Bluegrass SDA | Yes | only while in training | pays center directly | 1,313/48 | 3.7% |
| Green River SDA | Yes | only while in training | pays participant | 956/102 | 10.7% |
| Barren River SDA | No | ---- | ---- | ---- | ---- |

Source: Telephone interviews with SDA Administrators, October 1988

*In the last fiscal year, the Lincoln Trail SDA also included the Green River and Barren River areas.

with SDAs reimbursing the participant directly or making payments directly to the child care center. The rate of payment also differs from region to region. Some pay a set amount per child per week, while others pay based on a sliding scale. In the TENCO SDA, located in Maysville, they pay a set amount to the participant at a rate of $8 per day per child with a maxium of $90 per week for families with four or more children. The Northern KY SDA, located in Florence, will pay up to a maximum of $50 per week for center-based care and up to $35 per week for family day care, and their subcontractor reimburses the participant directly.

The Louisville Jefferson County SDA recently implemented an innovative pilot project to extend the allowance for child care payments on a graduated scale for up to 26 weeks after the training period. They noticed that many of their JTPA program participants were unable to maintain employment, and they thought it was due to the lack of child care subsidies after the training period had come to an end. They reasoned that participants entering the work force right after training needed the time to get on their feet and it would be better to allow them to continue receiving a partial subsidy, with the amount the participant pays increasing every eight weeks. For the first eight weeks the participant pays $1 per week, per child; in the 9-16th week they pay $15 per week per child; during the 17th-24th week the participant pays $25 per week per child and then during the 25th and 26th weeks they are up to $35 per week per child. After that, they are on their own, paying on the average of $50 per week per child.

This type of transitional child care support program that uses a graduated scale over a period of time to allow participants a chance to get a job and a few paychecks before they must absorb the full cost of care which should help make it easier for them to find and keep a job. Unfortunately, it is only a pilot project in one SDA. More often than not, when participants finish the training program they are faced with high child care costs with little access to other programs. If they are eligible for the state's Purchase of Day Care Program, they will more than likely be put at the end of the waiting list and have to wait for services.

## AVAILABILITY AND ACCESSIBILITY

The availability of affordable day care in the U.S. has become a distribution problem. Lack of coordination and involvement by state and federal agencies have resulted in severe access problems. The U.S. Department of Labor reports that nearly one-half of the children of working mothers are in school (some 26.5 million children) while their mothers are away from home. The remaining children are cared for in their home or another home, by an individual, or in a licensed day care center. The major availability problems in day care appear to be "spot" problems; particular forms of day care are not available in particular areas.[14] Furthermore, recent revisions of the birth rate projections over the next ten years indicate that the shortage is going to get much worse in the near future. It is anticipated that by 1995 over three-fourths of school-aged children and two-thirds of pre-school children will have mothers in the workforce.[15] This section will demonstrate that this is an especially acute problem for Kentucky.

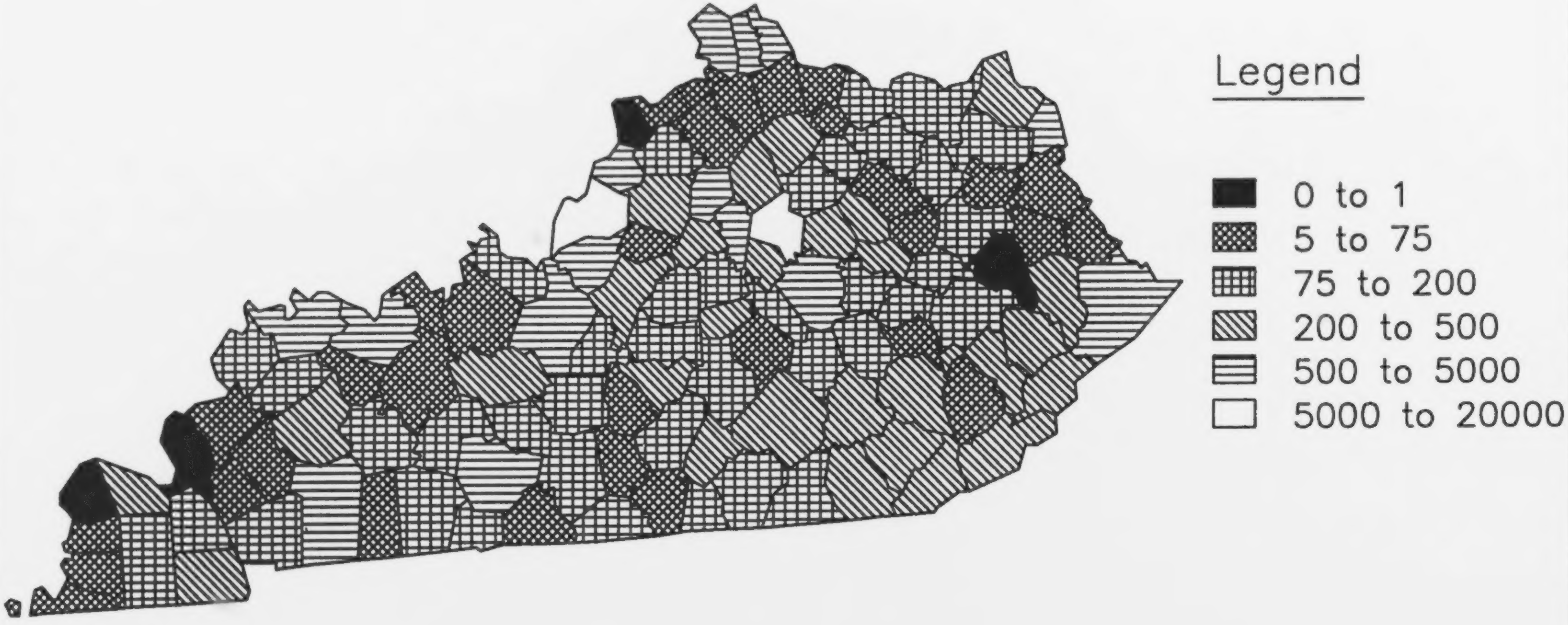
The maps featured in the next section demonstrate both the low number of licensed day care facilities in Kentucky and the distribution problem. Figure 2-2 demonstrates the number of day care slots in Kentucky that can be purchased by working parents. Head Start and PACE program slots have been removed from the total number of available licensed slots listed in the directory published by the Cabinet for Human Resources. These slots were removed because technically they have already been purchased by the state or federal government. Figure 2-3 demonstrates the number and distribution of licensed day care facilities by county. This method suggests that approximately fifteen Kentucky counties have no day care slots that are available for working parents to purchase. Figure 2-4 demonstrates the low number of licensed family day care providers.

### Issues of Cost and Affordability

In-home care of a child by a nanny or housekeeper is the most expensive form of day care. It is followed by care in a licensed facility, and the remaining forms are significantly lower. Care provided by a relative is the lowest-cost form of day care in terms of capital outlay. Care by relatives and home care providers are the most common forms of day care for children under three years of age.[16] The median cost of day care for one child is $39 per

**FIGURE 2-2**

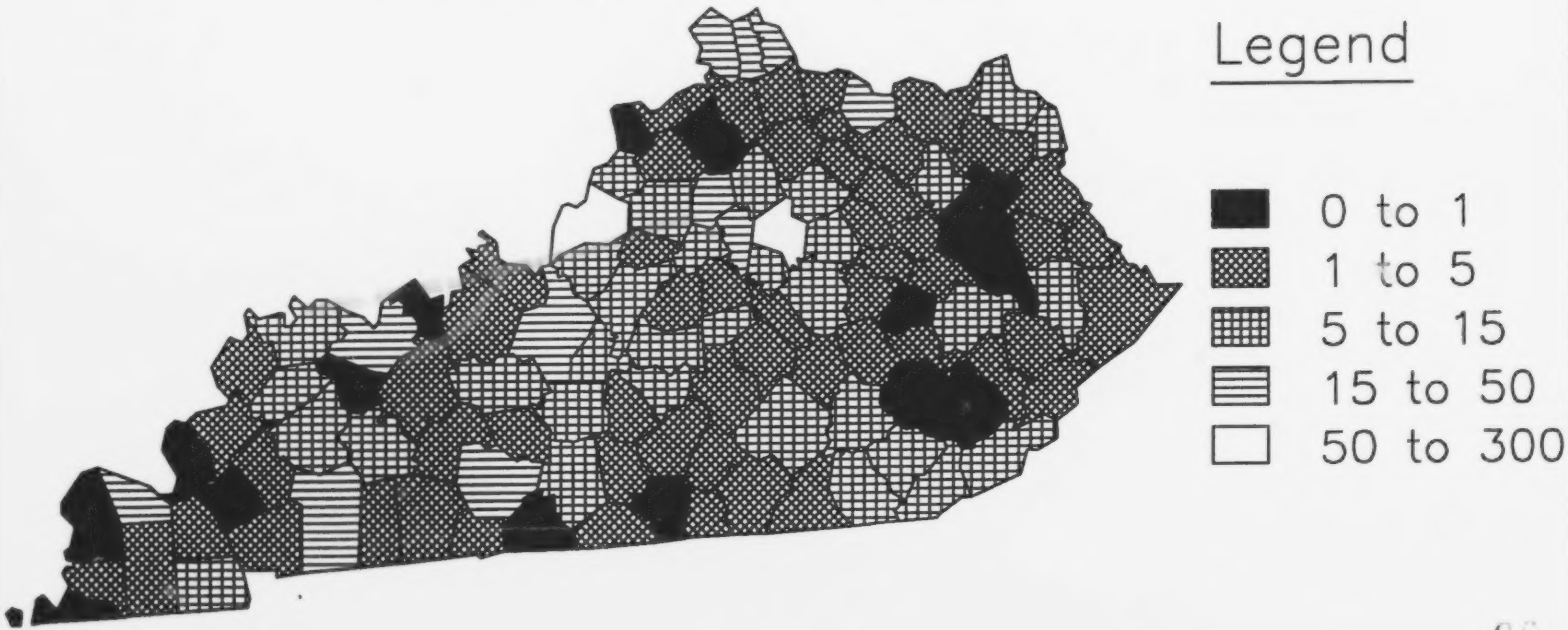
# NUMBER OF CENTER-BASED SLOTS BY COUNTY


Legend
■ 0 to 1
▩ 5 to 75
▦ 75 to 200
▧ 200 to 500
▤ 500 to 5000
☐ 5000 to 20000

Source: Kentucky Cabinet for Human Resources, Directory of Licensed Day Care Facilities, October 1, 1988

FIGURE 2-3

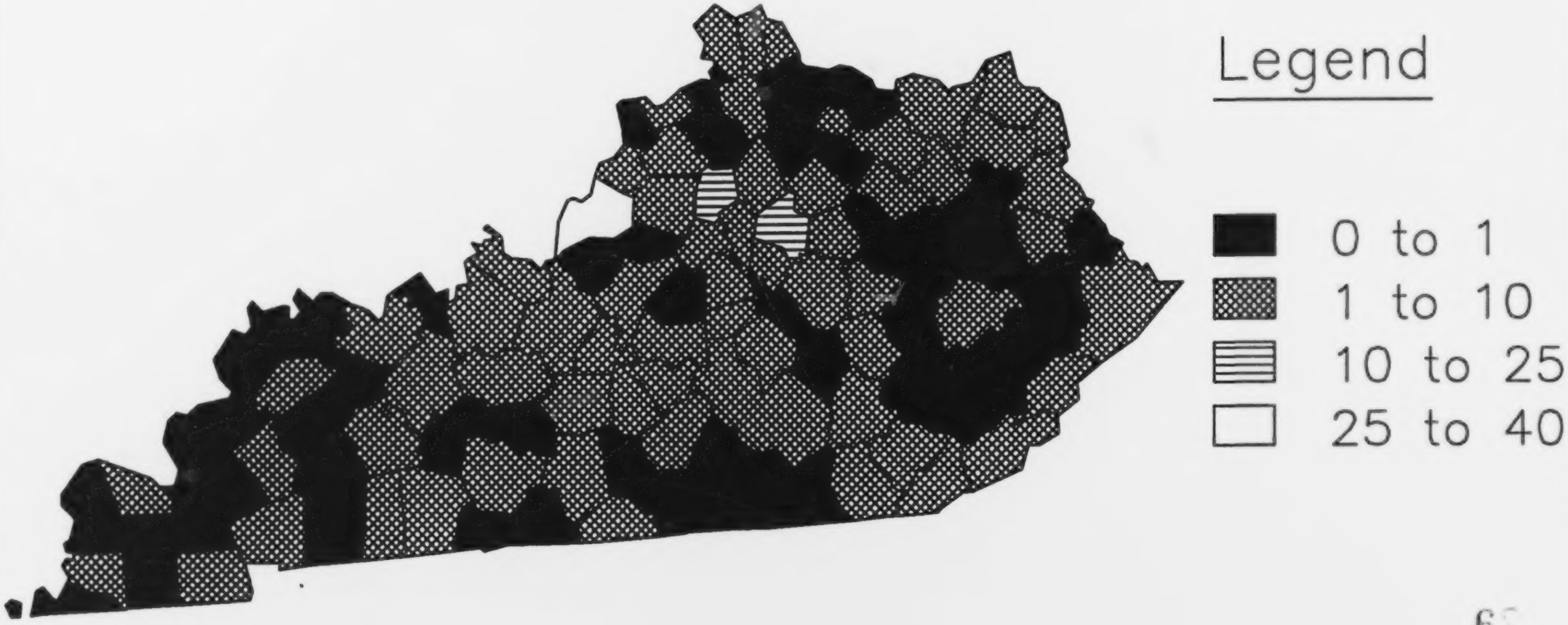
## NUMBER OF DAY CARE CENTERS BY COUNTY


Legend
■ 0 to 1
▩ 1 to 5
▦ 5 to 15
▤ 15 to 50
□ 50 to 300

Source: Kentucky Cabinet for Human Resources, Directory of Licensed Day Care Facilities, October 1, 1988

FIGURE 2-4

# NUMBER OF DAY CARE HOMES BY COUNTY


Legend
■ 0 to 1
▩ 1 to 10
▤ 10 to 25
□ 25 to 40

Source: Kentucky Cabinet for Human Resources, Directory of Licensed Day Care Facilities, October 1, 1988

week with a range of $24 to $75 per week. The national average weekly cost for day care for a preschooler is $50. Infants are more expensive, averaging $72 per week per child. Many families who use relative day care have no child care expenses.[17]

Low income families spend a much larger portion of their income on day care. A family with an income of $15,000 per year cannot afford to spend one-third of the family income[*] on day care for one child.[18][*] Where there is more than one child present in the family, the problem becomes more acute. This problem affects nearly 230,000 Kentucky children who are currently living below the poverty level.[19] The affordability of child care is most likely to affect families headed by a female, and families who have "at risk" children.[**]

The major factor in child care decisions is cost verses income. Since day care is traded in the market like any other commodity and income controls access, family size and composition, race and levels of educational attainment also play large roles in the form of day care that a family chooses.[20]

Families with low income levels are often forced to place their children in unregulated day care arrangements, because of the lower cost. The provisions of Title XX offer some financial assistance to these families, but the lack of availability in many areas further excludes low income families from regulated day care, i.e., the quality of day care that these families can afford to purchase even with Title XX funding is questionable.[21]

AFDC mothers are among those persons who have the most difficult time obtaining day care for their children. This has the effect of excluding them from educational and training programs. There is a two month lag between the time the mother enters a program and when the transfer payments begin. An AFDC parent of two receives a grant of $197 per month, 27% of the federal poverty guideline. Day care costs can easily exceed the amount of the grant.[22]

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[*] Day care for one child at $50 per week costs a family $2,600 per year. This figure represents one-third of the family's income, after taxes.

[**] "At risk" children are defined as those who are handicapped, have been abused or live in a potentially abusive situation. Children who have been processed through the courts are not included in this total.

The pie charts (Figures 2-5, 2-6, and 2-7) demonstrate that a single mother of 2 preschool children would need to earn more than $9 an hour at a full-time job in order to pay for day care for two pre-schoolers and to support herself, as demonstrated in Figure 2-8. The figures do not include the mother's own expenses.

1980 Census data suggests that the lack of reasonably priced day care may have kept many women in Kentucky from seeking employment.[23] Some 26% of all non-working mothers claimed that they would seek employment if day care were available, and 46% of unemployed single mothers said that they are unable to work because they do not have access to affordable day care.[24]

The national need for additional day care dollars is well documented, particularly in certain areas. The need is especially acute in Kentucky. In 1980, the Governor's Office released a Kentucky plan for Early Childhood Development in the Commonwealth which stated that 135,427 children under six years of age have mothers who work outside the home. In addition, 1980 census data reveal an additional 159,815 children between the ages of six and 17 years have employed mothers. Nearly 71,000 families are female headed, and 229,822 children in Kentucky live below the poverty level. At the time the report was released, there were only 41,650 licensed day care slots. It can be safely assumed that parents have developed several strategies for resolving this problem; they leave the child with a relative or neighbor or the child is left at home alone.[25] These children are cared for by providers and in situations that cannot be clearly identified; their day care is invisible.

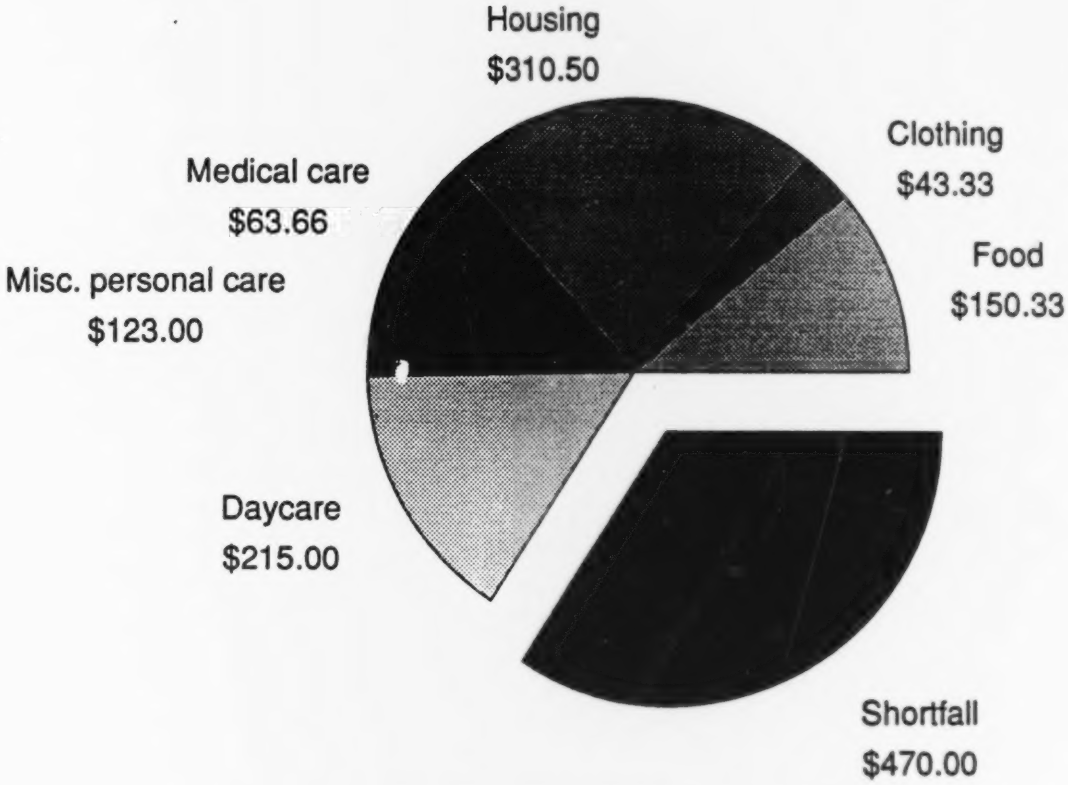
### Other Critical Issues: Transportation and Shift Care

Anecdotal data suggest that there are two additional issues not yet addressed in this report. Day care centers and homes tend to be concentrated in urban-suburban locations. For lower income families, transportation from the home to the day care center may often be a problem. Reliance on public transportation between the home and child care is costly and time consuming. This is also an especially difficult situation for parents of school-aged children. Parents who are working full-time may have difficulty leaving their place of work in order to transport their child from school to a day care program. It is believed that some

**FIGURE 2-5**

## Unemployed AFDC mother*

### With two preschool children



Total resources needed = $905.82

* Total benefits = $435/month

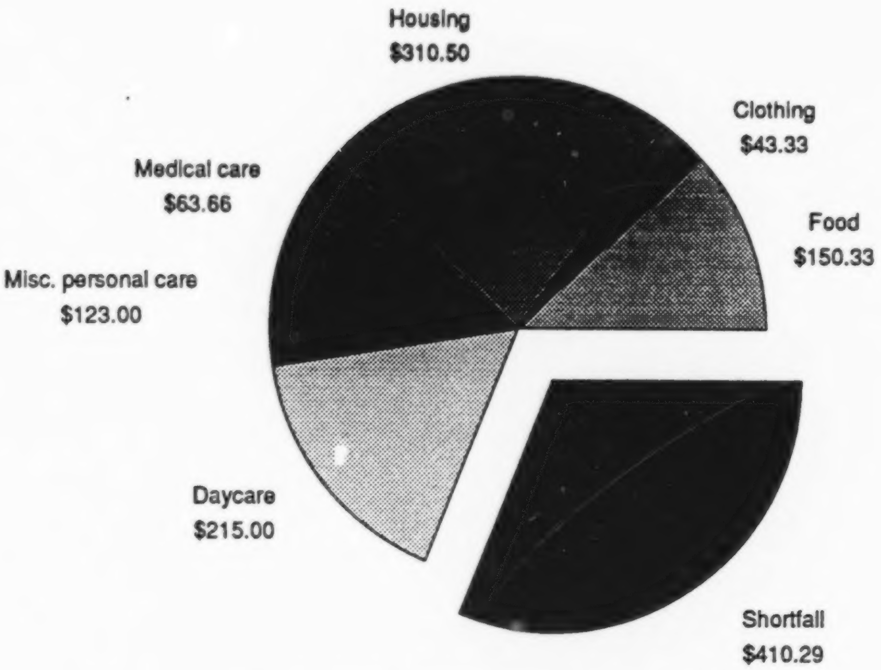
Source: For cost of raising a child, rural nonfarm, moderate cost level data was taken from Family Economic Review, No. 2, 1988, pg. 37

Notes: The national average for day care at $50 per week was employed; 25% of gross wages was subtracted for taxes; Housing costs include ALL utilities

**FIGURE 2-6**

Employed, $3.35/hr, 40 hrs/wk*

With two preschool children



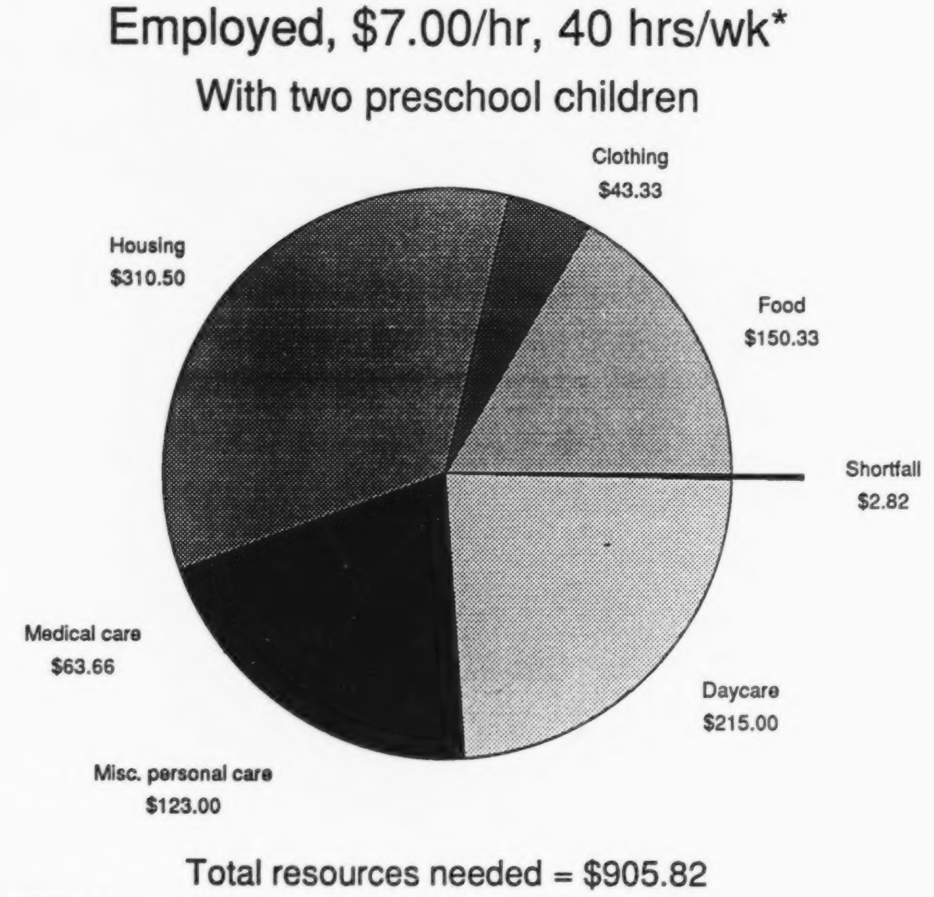
Total resources needed = $905.82

* Total take-home pay $495.53/month

Source: For cost of raising a child, rural nonfarm, moderate cost level data was taken from Family Economic Review, No. 2, 1988, pg. 37

Notes: The national average for day care at $50 per week was employed; 25% of gross wages was subtracted for taxes; Housing costs include ALL utilities

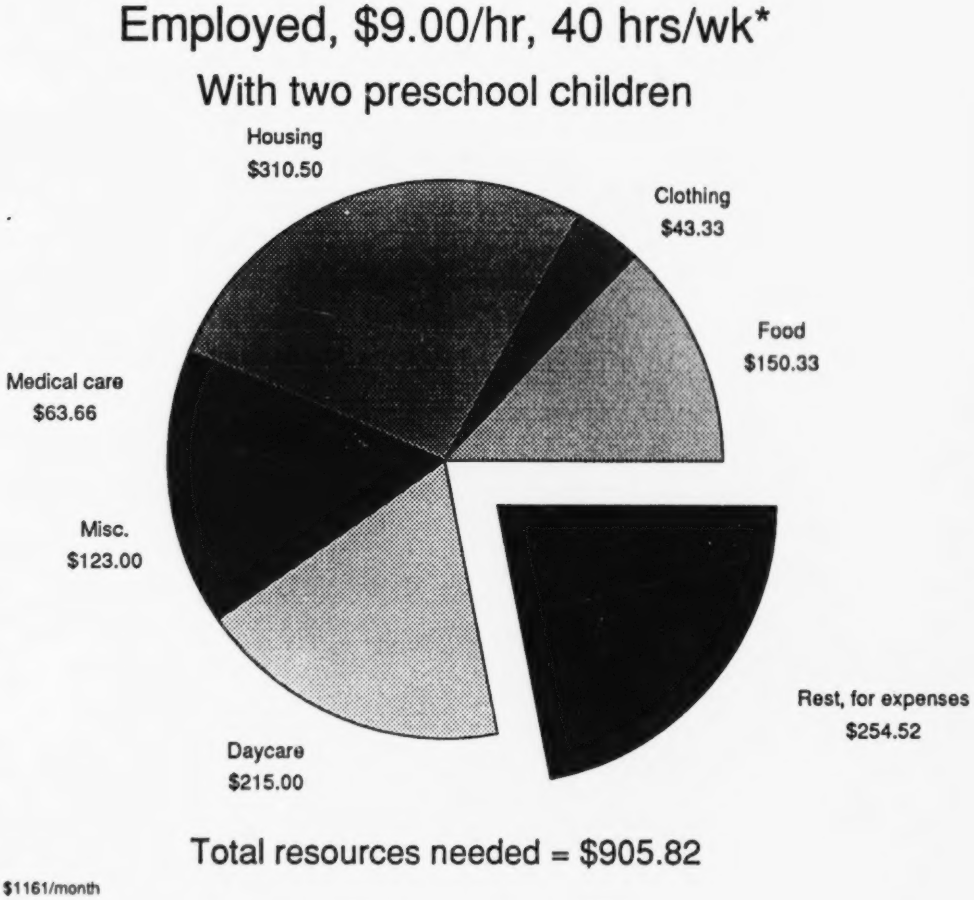
FIGURE 2-7



Source: For cost of raising a child, rural nonfarm, moderate cost level data was taken from Family Economic Review, No. 2, 1988, pg. 37

Notes: The national average for day care at $50 per week was employed; 25% of gross wages was subtracted for taxes; Housing costs include ALL utilities

**FIGURE 2-8**



Source: For cost of raising a child, rural nonfarm, moderate cost level data was taken from Family Economic Review, No. 2, 1988, pg. 37

Notes: The national average for day care at $50 per week was employed; 25% of gross wages was subtracted for taxes; Housing costs include ALL utilities

school-aged children are left in self-care. There is currently no reliable data available on the number of children whose families are unable to provide transportation between home, school and day care centers.

Two-parent families may experience problems gaining access to day care when the parents work different shifts. This often creates a need for day care for a relatively short period of time during the overlap period. In other words, there might be a time period of an hour or less between the time one parent leaves for work and the other parent gets home. Center-based day care operators are reluctant to sell their slots for such a short time, so it is assumed that many of these children are left in self-care or with a neighbor.

In the case of single parents who work shifts other than days, finding licensed day care can be a problem. In the entire Commonwealth, there are only 12,641 day slots licensed for night-time care. These night slots are concentrated in the following counties: Boyd (99), Bullitt (125), Christian (130), Daviess (273), Fayette (473), Franklin (98), Jefferson (1,424), Kenton (383), Laurel (153), McCracken (102), Russell (98), and Warren (135). Seventy-two Kentucky counties have NO night time licensed day care, according to the directory of licensed day care facilities prepared by the Cabinet for Human Resources.

Little is known about the extent of both the transportation and the shift-care problem. Further research is needed before the seriousness of these issues can be discussed.

**Employer Involvement**

Employers also have a stake in the provision of day care, especially for very young children. The current trend in employer involvement in helping families resolve the day care problem is for the employer to absorb some or part of the cost. This is done in the form of vouchers, which the parent may use to purchase day care at any center they choose, or the employer may contract with a licensed day care provider to accept children of employees to utilize their services at a reduced cost. This approach helps parents buy into the existing day care market, and assumes that day care is available.[26]

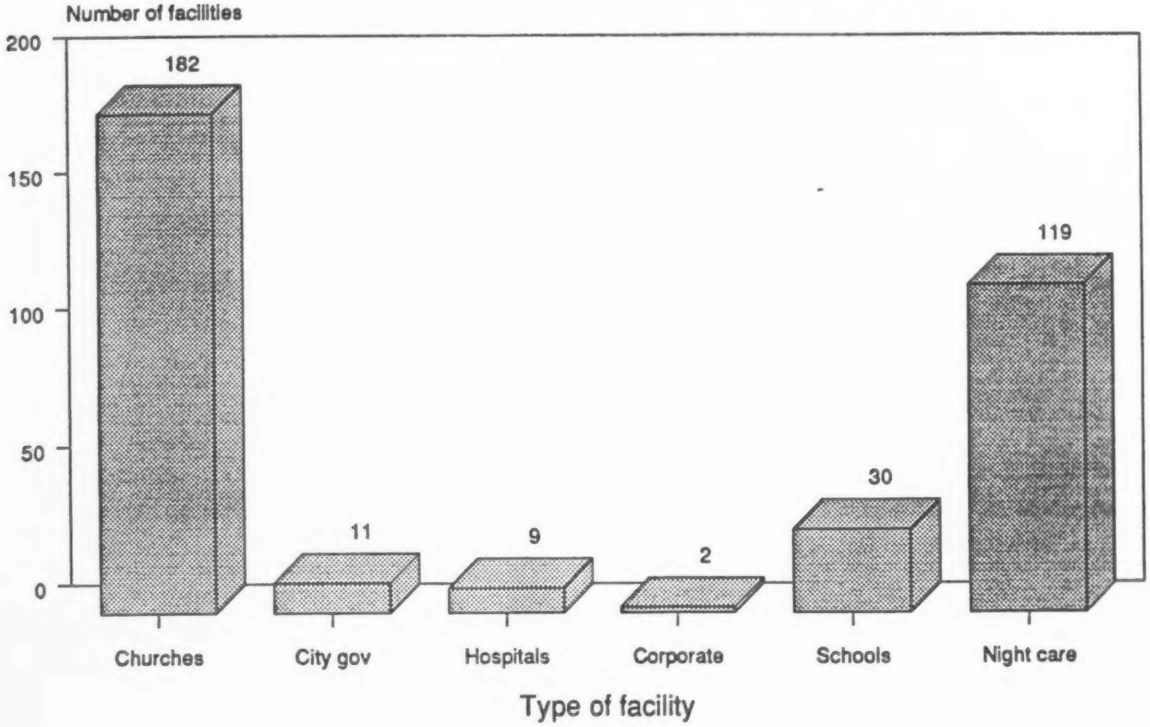
During the 1970s, employer supported, on-site day care centers were believed to be the solution to the problem of attracting and holding female employees with young children. It was thought that employment-location-based provision of services would help both employers and parents resolve the day care problem.[27] In response to requests from federal agencies and legislators, the GAO released a report about the costs of on-site day care. According to this study, the average family spends $3,000 to 5,000 per year on child care services where the child of working parent(s) is placed in a privately operated day care center. The GAO researchers determined the range of costs to families with one dependent child to be between $1,500 and $2,500 in on-site day care centers. The shortfall in costs is contributed by the company as part of its employee benefits package.

There is little evidence that on-site day care centers have been as successful as the proponents predicted during the 1970s. The start-up costs can be very high, depending on state regulations. The number of children that can be accommodated in this type of arrangement is limited by the availability of space, the local competition from privately operated day care centers, restrictive building codes, and the negative publicity that has been generated by reports of abuses and accidents in privately owned day care centers.[28] Testimonial evidence suggests that the presence of an on-site day care center can enhance the recruiting capability of some companies and also reduce employee absenteeism while increasing employee morale. Unfortunately, researchers have not yet documented that these benefits are directly related to the presence of an on-site day care center.[29] On-site day care centers are most successful where the labor force is highly specialized, such as hospitals which have been successful in maintaining the supply of nurses for shift-work, and in areas where community services are very limited. (400 out of 550 successful on-site day care programs in the U.S. are operated by hospitals.)[29] In Kentucky, there are 9 licensed child care facilities in hospitals; an additional 11 are operated by city governments. Shift-care presents an additional problem because there are only 119 facilities in the entire state that are licensed for night-time care (See Figure 2-9).

Parents may choose to leave children in the home of a neighbor or friend, or may leave school-aged children at home alone for several hours each day. Child care advocates consider these "latchkey" children to be at some risk.[30] The U.S. Department of Labor reports that there are some 13.8 million latchkey children in the United States.[31] In areas

## FIGURE 2-9

## NUMBER OF CHILD CARE FACILITIES BY TYPE IN KENTUCKY



Source: Cabinet for Human Resources, Department for Social Services, October 1988.

where after-school day care is available, transportation between the home, school, and day care center is a significant problem for many families. Some after-school day care programs offer pick-up services after school, but this increases costs.

## LICENSING AND REGULATION

### Overview

The governmental regulation of day care is an attempt at quality control. We are arriving at a time in history when we need more day care than ever before. We are now challenged to provide a sufficient quantity of day care at sufficient levels of quality.

Licensing is the use of powers of state government to limit permission to operate only programs that meet standards established as necessary by citizens of that state. Standard-setting is a democratic process involving those affected by the standards--the parents, the providers and other professionals. The standards for licensing are not operating standards; they do not tell program operators how to run a program. They establish a minimum floor, below which it is illegal to operate. Of course, programs are free to go beyond the floor to higher levels.[32]

Licensing is a legal process. Failure to be licensed is usually a criminal offense, and failure to comply with the requirements carries penalties, including loss of the license.[33] This is not true in Kentucky. The only penalty for violations in Kentucky is that the state refuses to renew the license during the annual renewal procedure.

Forty states, including Kentucky, require some kind of licensing, registration or certification. The welfare of children is at stake, and as a result, some overall regulation by a governing body is needed to assure their physical and emotional well-being. Unfortunately, attempts at quality control through governmental regulation tend to increase the costs of operation for day care providers. At some point, many parents will not be able to afford licensed day care. Many providers, especially those who are operating in their own homes, find it easier and less expensive to stay out of the regulatory net.[34]

Despite the growing demand for affordable quality day care, there has been little leadership in this area at the federal level. At this time, the federal government has shifted the responsibility for determining the distribution of day care costs onto the states and the private sector. Parents, employers and government have a stake in guaranteeing an affordable supply of day care for working parents. The end result of the current system is that the burden of monitoring the quality of day care rests on the parents and the states.

**Regulation Through Licensing**

Most states have chosen regulation and licensing of day care centers as the most common means of control. The latest trend in the regulation of day care centers is toward the registration of family day care centers, in an effort to bring more providers into the regulatory net.[35]

Where licensing is required, the state establishes certain minimum standards and proceeds to enforce them. In order to make the task of enforcement easy, these regulations tend to focus on areas that are easily measured, i.e., compliance with fire codes and local zoning ordinances; staff-child ratios; staff training; and standards for health and safety. Regulations that deal with programmatic issues, such as the emotional well-being and developmental skills of young children are more difficult to write and even more difficult to interpret. For this reason, many states, including Kentucky, focus on regulations that are easily measured.

Forty states regulate day care by licensing day care centers and providers. The state or local governmental unit has the authority to set standards, inspect, and establish procedures for revocation and appeals. There are often long waits for providers who are applying for licenses. In some states, a license may expire during the renewal process.[36] In most states, the licensing authority can be granted to the county or municipality. However, in Commonwealths like Kentucky, this authority belongs to the state exclusively.

The intent of licensing is to allow the state or local governmental unit to establish and monitor the quality of day care, but the actual licensing procedure can become a barrier for providers. The licensing procedure can be time consuming. It often requires that the new provider deal with several agencies of government, such as the licensing agency, the local zoning board, and the fire marshal. Building codes are generally included under safety laws; fire safety codes are determined by local fire companies and a variety of codes for health and sanitation may be established under state Public Health laws and enforced by local boards of health. There is a varying degree of coordination to all of these processes. In some states, the complex layers of regulation may add up to a barrier or serious delay. The other forms of regulation are typically beyond the control of the licensing agency, unless state legislation designs some statutory relationship between the different forms of regulation.[37]

Compliance with regulations can often increase start-up costs for both center-based and home care providers. In many cases, rather than face the licensing procedure, many home day care providers avoid it by operating illegally. Nationally, some 6.5 million children are cared for in unidentified, unlicensed and unregulated day care.[38] The states are totally unable to monitor the quality of day care these children are receiving, because their caregivers are "invisible."

**Barriers to Entry: Zoning--A Case in Point**

A particular problem for many home day care providers nationwide is the state requirement that their facility comply with local zoning ordinances and restrictions. In general, zoning laws specify uses of property which are permitted "by right" in a particular zone and uses which are permitted by "special exceptions" or variances. In order to gain a variance, a hearing is often required and certain conditions must be met. To a city official, the zoning hearings procedures appear simple; to a home care provider, the hearings process can be intimidating. Requirements that engineering studies be made, or processes that require legal expertise are expensive. These costs are passed onto the day care operator. Many home care providers prefer to remain invisible and avoid the entire issue.[39]

On a national scale, home care providers care for 6 million children in a residential setting. Their neighbors often complain that home day care is a commercial business and thus must be zoned appropriately. In the face of a complaint, many home care providers shut down their operations, rather than face the expenses and legal hassle of the hearings process.[40]

Communities which desire to address the problems of zoning family day care homes may do so in a number of ways. They can withdraw the variance; they can require a variance for any use other than residential occupancy; they can define homes specifically as "day care home", "nursery" or "center", according to the number and ages of children cared for; or define what a day care home is and explicitly permit it wherever home occupations are permitted, either by right or by special exceptions.[41] The granting of a specific status to home day care providers can make the zoning issue clearer to both local officials and day care providers. A smoothing of the permitting process has the potential to increase the number of regulated providers in the U.S.

**Liability Insurance**

Child day care providers are facing rising operational costs which make it continually more difficult for them to stay in business. Of particular concern during the last several years is the rising cost of liability insurance. Eleven states require day care providers to carry liability insurance protection against lawsuits. Without some kind of protection, a single lawsuit could bankrupt a small business, such as a day care center, and also threaten the owner's personal finances. For this reason, the purchase of liability insurance is considered by many to be a sound business practice, as well as a requirement for state licensure.[42]

Day care providers offer a service that is used more out of necessity than desire by consumers, who in many cases, cannot afford to have increased costs passed onto them because of higher insurance premiums charged to their day care operators. The additional added cost of liability insurance often shuts low-income parents out of the regulated day care market. In order to avoid raising the price of their service, many day care providers have lowered costs by decreasing the overall quality; this is reflected in decreased staff salaries and elimination of certain services. Day care represents a small, low-profit, part of the liability insurance market.[43]

Three factors converged to create the liability insurance crisis for day care centers. First, the day care industry has experienced rapid growth in a relatively short period of time. In this context, day care operators created a surge in demand for liability insurance coverage. Second, a label of high-risk was placed on day care at the same time a general liability insurance crisis was occurring for all kinds of business. An article published in the October 18, 1988 edition of the Lexington Herald-Leader cites day care centers as being one of the six highest risks for insurers. The perception of high risk associated with day care centers becomes obvious when the list of the top six risk categories is considered. They are: bars, liquor stores, child care centers, Greek-lettered organizations asbestos contractors and hazardous waste disposal companies.[44] Allegations of physical and sexual abuse in child care settings have been highly publicized. This adverse publicity created an image of day care as a high-risk entity, both to the general public and the insurance carriers. The insurance industry employed several different techniques in order to stabilize their profits. They limited liability coverage for high-risk clients by making coverage available and raising rates, decreasing the amount of coverage available and adding specific inclusions to policies.[45] Operators of family day care centers often had their homeowner's insurance policy cancelled because of the presence of young children, who are not family members, in their homes.[46] Again, the working parents of young children are faced with a trade-off. The end result is that during the middle 1980s, liability insurance, which was intended to protect the business and personal financial resources of day care operators served as a barrier to entry, thereby limiting the number of regulated day care slots.

The liability insurance crisis of 1985 affected day care operators in Kentucky. Kentucky is one of 11 states that requires home day care providers to carry liability insurance. This type of insurance protects the providers of day care; not necessarily the children. Liability insurance covers the providers' losses in the event of parental suit charging the provider with physical or sexual abuse. Telephone interviews with providers revealed that annual liability insurance premiums escalated from approximately $350 to $2,500 in 1985.[47]

The 1986 Kentucky Legislature appointed a Task Force on Liability Insurance, which worked with the state Insurance Commissioner's Office in order to provide liability insurance protection for home day care operators. Prior to 1985, home day care providers were able to purchase the required liability insurance as part of their homeowner's insurance. During the 1985 insurance liability crisis, insurance companies cancelled the homeowner's policies of day care providers, arguing that the providers were at risk because of the nature of their business.

Upon the recommendation of the Liability Insurance Task Force, the Insurance Commissioner required carriers of liability insurance for homeowners to include an endorsement especially for home day care providers. In addition, the insurance companies were prohibited from cancelling a homeowner's liability insurance policy because the provider operates a family day care home. Also, 4-C in Louisville is now offering group liability insurance to members at a reduced premium. The current minimum cost of liability insurance for family day care operators in Kentucky is $500 per year. Because of the action of this Task Force and the Insurance Commissioner's Office, the liability insurance requirement in Kentucky should no longer be a significant barrier to entry for new home day care providers.[48]

Some raise the question that if we intend for the liability insurance requirement to protect children, would we be better serving the needs of children by requiring accident insurance that would cover claims of physical abuse or accidents, rather than liability insurance, which by definition, covers the provider?

**Where Kentucky Stands in Day Care Regulation**

For Kentucky, licensing is the exclusive means of regulation. Kentucky defines the type of license a center will be issued according to the number of children that will be cared for. Kentucky divides its day care into two categories: Type I is center-based day care, where a provider is licensed to care for more than 12 children who are not related to the provider by blood, marriage, or adoption. Where a provider cares for more than 12 children, including her own, they must be licensed as a day care center. Type II is defined by state statute as a provider who cares for between four and twelve children who are not related to the provider by birth, marriage or adoption. Type II day care is usually found in residential settings and is called "family day care" or home day care. Twenty four states share this definition of a home care provider.[49]

The initial licensing fee for Type I day care centers is $65 per year. A home-based Type II provider must pay an initial fee of $35. The annual renewal fee for both types of providers is $35. In order to qualify for licensure, both types of day care facilities must be able to pass a state inspection.

There are some slight differences in the state licensing requirements for the two types of providers. The state mandated requirements for the educational attainment level are slightly higher for directors of Type I (center-based) day care facilities. A Type I provider may receive a license to operate a day care center with a minimum of five years of paid experience, but must also have two character references written by non-relatives. Verification of the required 12 hours of child development training must be submitted with the application. A Type II, or family day care provider must meet the minimum standard of a GED or high school diploma, plus 12 hours of child development training. A home care provider may operate for six months on a provisional license, but the training must be completed within the six month period.[50] Before the license can be granted, an inspection is made and the following documents must be on file for review:

1. Approval from the local zoning board
2. Criminal Records Checks on all employees who have supervisory or disciplinary power over a minor. A form that is filled out by the provider and mailed to the Kentucky State Police is included with the license application materials.
3. Proof of liability insurance
4. A current report (within the last year) of a negative TB test on all staff. The test is also required for all adults that reside on the premises in a Type II facility.
5. Records verifying a minimum of six clock hours of annual training for each member. All training must have prior approval from the Cabinet.

In addition to having these records on file, the state inspector must find that the center is in compliance with the statutes governing minimum day care standards. In order to obtain and keep their licenses, both types of providers must comply with the state standards. These statutes cover the following areas:

- The licensing procedure itself; including delineation of the responsibilities of the licensing agency, the terms and conditions of the actual issue of the license; fees; rights of inspection; license revocations and the appeals process
- A listing of records to be maintained at the facility
- A listing of reports that must be filed with the licensing agency, based on compliance with regulations
- Statutes governing and defining child abuse/neglect
- Staff requirements
- Staff training
- Physical facilities
- Care of children, including standards for programs, discipline and health
- Health and sanitation
- Transportation
- Visitation by parents

In short, the Kentucky regulation of day care is designed to insure the minimum standards for the health, safety and well-being of children (Kentucky Cabinet for Human Resources, Department of Social Services, KRS 199.892 to 199.896).

An unanticipated consequence of this approach to regulation is that most of the regulated day care is found in institutional settings (See Figure 2-9). Institutions generally have physical facilities that already conform to the regulations. Their start-up expenses are reduced because they have prior approval of zoning boards and fire and health departments. This is reflected in the large number of day care centers which are found in church buildings. Home care providers are starting at ground-zero. As a result, they may have to deal with as many as four separate state agencies to become licensed. The large number of unregulated home care providers suggests that many prefer to avoid the issue and remain outside the regulatory net and operate illegally.

Kentucky revised its day care regulations in February, 1988. Church-based day care centers are no longer exempt from a criminal records check. In addition, Kentucky upgraded the training requirements for both center-based child care directors and home care providers.

In spite of these changes, Kentucky still ranks in the bottom half of the states when compared on the basis of how many staff members a center is required to employ, according to an article published in the Lexington Herald Leader (10-9-88). A comparison of Kentucky and 10 other states appears in Table 2-9. Kentucky allows a child-staff ratio of six infants to one adult. Two thirds of the states set the limit at four infants per adult. For young toddlers (age 1 1/2 years), the Kentucky staff requirement is six children per adult. Over half the states set the limit at eight or less. Older toddlers in Kentucky are regulated at the rate of ten children per staff member; three-fourths of the states set the limit at eight or less. Kentucky allows fourteen four year olds per adult (Morgan, Gwen). A comparison of the staff child ratios for 10 states and Kentucky also appears in Table 2-9.

The question of appropriate child-staff ratios is of great concern. A national study made by the Children's Foundation (known as the 1977 National Day Care Study) found that the size of the group has a strong impact on quality. Nevertheless, states have not improved their group size requirements as they have revised their standards. Kentucky does not regulate group size.[51] The National Day Care Study found that low child-to-staff ratios have positive effects on children's test scores, child behavior, and staff behavior. These ratios also affect child care costs more than any other factor. Infant ratios have been found to affect quality strongly. There is evidence that infant development will be impaired if large numbers of infants are permitted per caregiver.[52]

The issue of the regulation of day care involves balancing issues of quality against issues of availability and affordability. The large number of Kentucky children in invisible, unregulated day care merits further consideration. To develop and enforce a set of regulations could have the potential effect of significantly raising the costs of day care. The supply of day care providers would be expected to diminish in the face of an enforcement crackdown, especially where a hearings procedure might be initiated. A problem for regulators, then, is to find a "middle ground" that allows the state to identify and monitor all day care providers, without creating significant barriers to entry for new regulated providers.

## TABLE 2-9
## DAY CARE REGULATIONS: A COMPARISON OF KENTUCKY AND OTHER STATES

| | No. of Regulated Homes | Type of Regulation | Minimum Size-Maximum Size | Staff-Child[a] Ratios | Group[b] Size | Preservice[c] Training Requirements |
|---|---|---|---|---|---|---|
| INDIANA | 3,000 | License | 5-10 | 4:1, 12:1, 15:1 | 8, NR, NR | D |
| KENTUCKY | 197 | License | 4-Varies with age | 6:1, 12:1, 15:1 | NR, NR, NR | NONE |
| MASSACHUSETTS[d] | 9,439 | Registration | 1-6 | 3:1 or 7:2, 10:1, 15:1 | 7, 30, NR | D, T |
| MINNESOTA[d] | 9,574 | License | 1-10 | 4:1, 10:1, 10:1 | 8, 20, 20 | D, T |
| MISSISSIPPI | -0- | License | 6-15 | 5:1, 14:1, 20:1 | NR, NR, NR | NONE |
| NEW YORK[d] (STATE) | 4,034 | License | 3-6 | 4:1, 6:1 or 7:1 8:1 or 9:1 | 8, 18 or 14, 24 or 18 | T |
| NORTH CAROLINA | 6,500 | Registration | 1-5 | 7:1, 15:1, 25:1 | 14, 25, 25 | D, T |
| OHIO | 3,000 | License | 1-12 | 6:1, 12:1, 14:1 | 12, 24, 28 | D, T, A |
| TENNESSEE | 317 | License | 5-7 | 5:1, 10:1, 25:1 | 10, 20, 25 | NONE |
| VIRGINIA | 1,460 | License | 6-9 | 4:1, 10:1, 12:1 | 8, 20, 20 | D, T |
| WEST VIRGINIA | 1,300 | Registration (Voluntary) | 1-7 | 4:1, 10:1, 15:1 | NR, NR, NR | D |

[a] up to 1 year old, 3 years old, 5 years old
[b] up to 1 year old, 3 years old, 5 years old
[c] D=Directors, T=Teachers, A=Assitants
[d] Model State
NR=Not Regulated

Source: Gwen Morgan

## Regulations and State Governmental Structure

A problem with regulation for the state of Kentucky is that the Department of Social Services in Frankfort writes the day care regulations while the actual field monitoring of licensed day care providers is done by surveyors. The surveyors are under the administrative umbrella of the Office of the Inspector General in Frankfort. This creates several problems.

The field inspectors are responsible for monitoring the quality of many different types of services. They are responsible for nursing homes, hospitals, employment agencies, ambulances and day care. These inspectors are not experts in the field of child development. Rather, they are expected to be experts in many different areas. This raises several issues. It is difficult for an inspector to make decisions about the interpretation of programmatic regulations, such as "age appropriateness of programs and materials," without some training in early childhood development. A telephone interview with a field inspector revealed that he feels that some early child development training would be helpful for inspectors in interpreting the difference between the spirit and the letter of the law.

Different areas of the state also utilize different management techniques for the distribution of day care inspections. In other words, some offices still use the "caseload" method of determining which inspector is responsible for a particular facility. Other areas use a "random" method, whereby the inspector who has time or who will be in the area makes the annual inspection. Inspections which are in response to a complaint are assigned on the basis of the workload in the office, the number and severity of complaints and the availability of inspectors. According to the inspector interviewed, the shifting of inspections among field surveyors can create inconsistencies. One inspector may be more concerned about a particular regulation which another surveyor considers less important. This makes it difficult for the day care operator to comply with all requests of the inspectors.

Along the same lines, the perception of many day care operators is that the state inspector is out to shut them down and not to help them comply with state regulations. This perception was mentioned by both the field surveyor who was interviewed and by several day care operators. The only penalty for violations in Kentucky is that the state will not renew the day care operator's license.

The inspector who was interviewed felt that this creates some serious communication problems between the operator and the inspector. In short, the day care provider cannot always tell the difference between a suggestion that will help run a more efficient operation and an enforcement violation. This situation becomes worse when the operator has to deal with more than one inspector.

The third issue raised by the field surveyor interviewed involves communication between the Department of Social Services, the field inspectors and the day care operators. The state often does not inform day care providers of changes in regulations in a timely manner, and as a result it falls to the inspector to inform the provider of the change at the time the violation is written. Also, day care operators are often panicked when the inspector arrives which further reduces the quality of communications.

All of these problems deal with misunderstandings between the Department of Social Services, the Office of the Inspector General and the day care operator. The inspectors feel that some goal-oriented programming is necessary. They argue that the Department of Social Services is not aware of what is going on in the field, and that as a result, the promulgators of the regulations are reactive rather than proactive. According to them, better communication is needed between the state and the provider, and between the provider and the inspector. The inspector felt that a set of clearly written guidelines would greatly enhance communication between the Department of Social Services, the day care operator and the field inspector. The state currently does not offer any technical assistance to day care providers.

If children are left in a vulnerable position, the questions facing the legislature are problematic. If penalties are adopted for failure to meet the state standards, and the day care provider is financially penalized, both the parents of the child and the day care provider lose. Labor force participation may drop as parents elect to stay at home rather than find another caregiver. If the day care center is closed, we lose badly needed licensed and regulated day care slots. If the day care center is fined, the parents will find that their cost of day care includes an adjustment in fees that accommodates the increase in costs to the provider. The limited number of licensed day care slots makes it difficult for parents to substitute another regulated day care arrangement. In the event that the state inspector attempts to work with the operator of the day care center to improve compliance, the state has become a consultant and a trainer for a private enterprise. On the other hand, we must monitor the quality of standards for day care; otherwise, the child may be placed at risk.[53]

The common assumption is that licensed day care homes and centers have been and continue to be monitored for various health and safety requirements, but the reality is that the licensing procedure is slow and the licensing requirements are so rigid and unrealistic that they act as a barrier to all but a few caregivers. Institutions, such as churches, have an advantage in the licensing procedure. As a result, more than four million American children receive child care in unregulated family day care homes. In Kentucky, nearly 230,000 children under age 17 are being cared for in unregulated situations. Nationally, six million children are cared for in unlicensed, unregulated and unidentified situations.[54]

### Alternatives to Regulation

Several states have found an alternative to licensing that enables the state to identify and monitor the quality of home/family day care for children. Registration is a variation of licensing and relies more heavily on parents as monitors than does traditional licensing. Parents are informed of the standards and encouraged to inspect a facility for themselves. They are also told how to report serious violations.[55]

When done properly, the process works as follows: registration standards, generally similar to those used in licensing, are determined by the state. When the family day care provider receives information detailing the standards, she/he does a self-study to determine whether or not the standards (including fire and health standards) are met and informs the appropriate state agency of the findings. Parents receive a copy of the regulations and a form for filing complaints. In many cases, inspections are not made unless that state receives a complaint.[56]

In addition, once a home day care provider is listed with a state agency:

- The providers gain access to information, training and technical assistance (generally offered by non-profit organizations, family day care provider associations, and universities if they can be reached by mail).
- As the provider becomes better informed about proper nutrition, the availability of toy lending libraries, and assistance from provider associations, the quality of day care improves.
- Parents can check state lists and act as their own monitors and inspectors, thereby helping other parents and children as well.

In order to pull the large number of currently illegal home day care providers into the regulatory net, states can alter their licensing and registration process. Advocates claim that all family day care homes should be required to register. They also argue that family day care homes should be monitored on a random sample as well as on the basis of complaint.[57]

## Regulation in Other States

Several states have recognized that their licensing procedure had the unintended effect of excluding home care providers. The old Georgia law was found to be virtually unenforceable, and this state shifted to a voluntary registration procedure in 1980.[58] The 1987 Family Day Care Licensing Study reports that Georgia has 6,000 registered family day care homes. These registered homes care for between three and six children, not including family members. Massachusetts registered nearly 9,500 day care homes by instituting a program of voluntary registration. Massachusetts requires registration, but there is no fee.

In Texas, providers of family day care must register for an annual fee of $35.00. Under this system, the number of registrations increased from 15 to 20 per month to nearly 200. Texas reports that the Department of Human Services is now carrying 15,000 regulated, registered day care family homes on their listing. These small family day care providers are permitted to care for six preschool children from six different families and the siblings of those children after school. In contrast, Kentucky reports only 197 licensed day care homes for the same reporting period.[59] (See Table 2-10 and Figure 2-4)

## TABLE 2-10

## STATE-BY-STATE TOTALS OF LICENSED CHILD CARE PROGRAMS, AUGUST 1987

| | Child Care Centers[1] | | Family Day Care Homes[2] | |
|---|---|---|---|---|
| State | Total Number | Licensed Capacity | Total Number | Licensed Capacity |
| INDIANA | 559 | 39,727 | 1,290 | 8,944 |
| KENTUCKY | 1,147 | 48,110 | 197 | 2,173 |
| MASSACHUSETTS | 1,858 | 68,618 | 9,439 | 43,165 |
| MINNESOTA | 1,136 | 42,032 | 9,565 | 66,955 |
| NEW YORK (STATE) | 1,989 | 115,526 | 3,625 | 18,018 |
| OHIO | 2,380 | 120,000 | 3,000 | 12,000 |
| TENNESSEE | 1,559 | 98,511 | 323 | 2,271 |
| VIRGINIA | 867 | 68,739 | 270 | 2,235 |

Source: Children's Defense Fund, Child Care Fact Book 1987.

**Kentucky and Day Care Home Registration**

During the last legislative session, H.B. 730 was introduced by Representative Walter Blevins, Jr. This bill would have allowed for small family day care providers to register rather than be licensed through the normal formal procedures, but it died on the house floor.

The proponents of the legislation argued that Kentucky is 50th in 50 states in the number of in-home regulated day care sites. Every day, nearly 100,000 young children in Kentucky are not in any form of regulated care while their mothers are working. A report issued by (then) Governor Collins recommended that some criteria for the certification or registration of homes that are currently not required by state statute to be licensed be established.[60]

In addition, proponents of this bill argue that the diverse characteristics of child care settings make it important that the care system have the flexibility to deal with variation. Regulations should accommodate the care setting. A child care center for 50 children is a completely different setting than a day care home that accommodates three children.

Registration offers a method by which homes that are currently providing unregulated day care could be identified by the state. Homes caring for fewer than four children are currently totally unregulated. There are nearly 100,000 preschool children in Kentucky who are in these "invisible" day care homes. The licensing of homes caring for less than four children is not working in Kentucky. Proponents stress that with legislation calling for registration, a system can be developed that is responsive to small groups. Once the system is in place, it can be expanded to include larger groups later on.

The Revenue Problem

Under the current budget constraints, administrative start-up expenses for a new program of registration for day care homes seems like an expense that could be avoided. These costs can be offset. The registration of family day care home providers would mean that more homes are eligible for federal Child Care Food Program (CCFP) benefits. This federal nutrition program provides food reimbursement of approximately $11.00 per week for each child to the provider if she agrees to: (1) meet the nutrition standards of the program which require her to meet nearly two-thirds of the child's daily nutritional requirements, (2) meet the state approval standards (registration or licensing), (3) meet other CCFP training, sanitation, and record keeping requirements and (4) allow monitors from the CCFP to visit her a minimum of three times a year to make sure that she is adhering to both CCFP and state approval requirements. There is no cost to the state for this training. In addition, the federal Child Care Food Program is an extension of the school lunch program and not likely to be discontinued.[61]

### Arguments Against Registration

The movement towards registration of family day care registration in Kentucky was blocked by the professional association of private-for-profit day care operators, the Kentucky Child Care Association, formerly the Kentucky Association for Child Care Management. They object to the registration of home day care providers on the grounds that House Bill 730 did not allow for inspection and monitoring of family day care homes by the state. In a telephone interview, the past president of this organization stresses that the licensed day care centers pay significant costs associated with compliance of state regulations. In fact, she stated that she had lost all legal rights to control her own operation because of the state regulations. She stated that this raises issues of liability; if a child is injured and abused in a day care setting, should the state bear some of the responsibility for the damage? This is related to the view that the regulations control the quality and content of day care programs.

This private-for-profit day care center operator also suggested that children are safer in a group setting, where the teachers and assistants monitor each other while children are present. She feels that children are safer in an open group situation, and that the state should concentrate its monitoring efforts on small group homes. It is unclear as to how these small family day care homes could be identified.

Private-for-profit operators seem concerned that the home day care providers will be able to access the federal Child Care nutrition program. The past president, during a telephone interview, stated that the home day care providers will be "getting all this money and no one is watching what they do." Private-for-profit centers are eligible for this subsidy if 25% of the children enrolled in their program are receiving Title XX funding. The private operators contend that they frequently reduce rates or waive fees for children who are from families that have been unable to find help through any agency of government. They feel that these children represent a drain on their resources. As a result, they feel that the federal Child Care Food Program should be opened to all regulated day care facilities, regardless of the number of children cared for who receive Title XX funding.

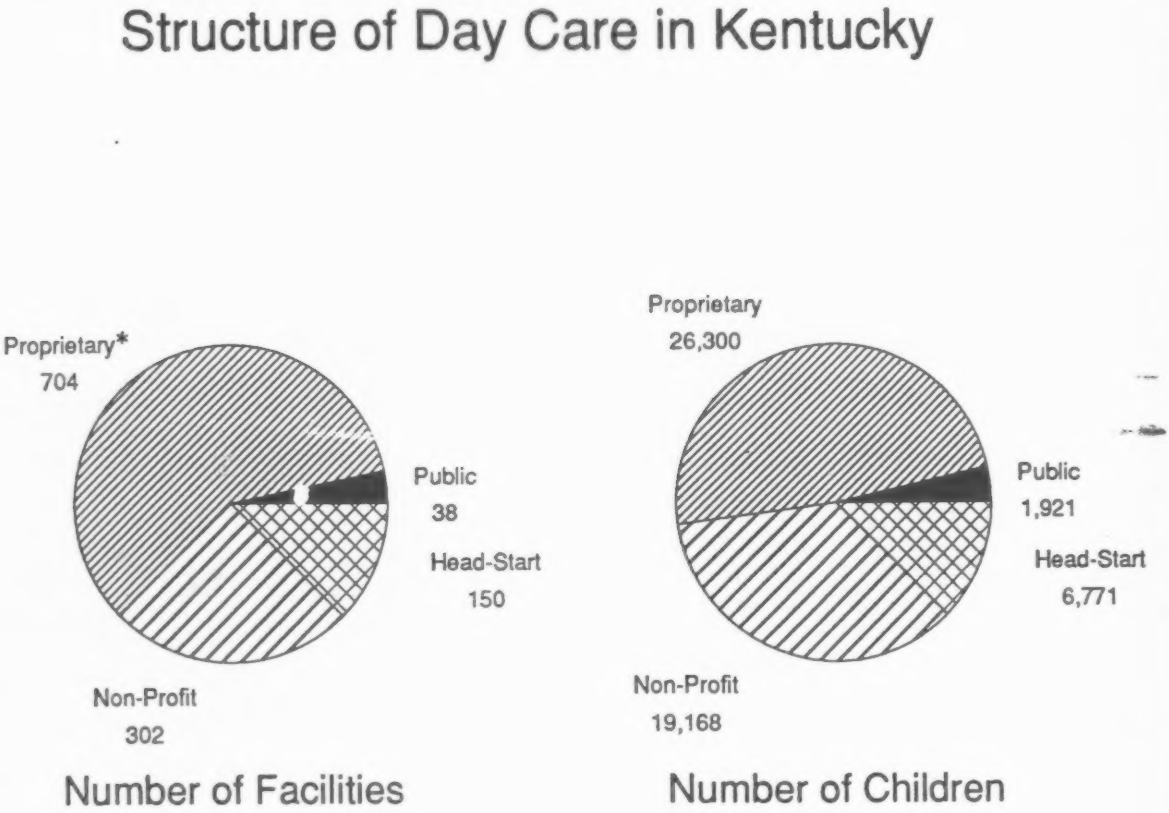
The opposition to the registration of day care homes is based on the idea that allowing day care homes to access the federal Child Care Food Program will create unfair competition for the private operators. Private-for-profit day care operators are not eligible for federal CCFP funding unless 25% of their enrollment receives Title XX support. These private operators believe that allowing family day care home providers to receive federal funding, while reducing licensing requirements give family day care providers an unfair advantage. The industry dominance of private-for-profit day care centers is evident in Figure 2-9. On the other hand, accessing this program is expected to bring $360,000 into the state during the first year. This program also contains provisions for in-home training. This should offset some of the start-up costs. Proponents stress that in addition to providing a mechanism for Kentucky to access the federal Child Care Food Program, the registration of family day care providers can increase the quality and availability of child care services in Kentucky, particularly in the 15 counties that now have no licensed child care facilities.

### QUALITY OF DAY CARE

The large number of unregulated home day care providers raises the issue of quality. Parents who use this type of day care generally do so for several reasons. It is often more convenient and significantly less expensive to leave a child with a relative, friend or neighbor. Licensed day care is often expensive, and many families are unable and/or unwilling to spend $5,000 per child per year. In the case of school-aged children, parents may believe that the child is capable of self-care for several hours per day. In many cases, older children are required to care for younger siblings while parents are at work.

A major problem in this area is that many home care providers are in violation of current state regulations because they are caring for more than four children. Many parents are

**FIGURE 2-10**



Source: Cabinet for Human Resources, Department for Social Services, October 1988

*Includes private-for-profit franchises, church centers, and the 197 licensed family day care homes.

opposed to state regulation of home care providers because they fear that the cost of day care will escalate.

Another problem is that quality is difficult to define and measure. Different parents want different things for their children according to their own needs, the personality of their child, and the availability of child care in their area. The United States Department of Labor has cited two critical indicators of quality in their report: the wide variation between states in regulating child care providers (perhaps indicating a lack of consensus about appropriate standards) and (2) the lack of training, low wages and high turnover that typifies many child care providers.[62] A study conducted by the Massachusetts Office for Children suggests the following areas as being critical to quality day care: group size; staff training; staff-child ratios (especially for infants); the design of the environment; the relationships within the child's family; age appropriate programs; and the "match" between the child's needs and the program selected.[63] Parents are more likely to define quality as the need for safety; health procedures that diminish the spread of disease; and experienced staff.[64] There is no agreement about what constitutes quality day care, yet everyone wants it.

**Problems of Regulation**

Each state is free to establish minimum standards for child care in an effort to develop a measure of quality. Because measurable standards are generally employed, state regulations tend to focus on areas such as group size, nutritional content of meals and staff ratios. The licensing procedure is generally utilized to ensure compliance with state regulation. This is a particular problem for Kentucky, because a large number of children are cared for in invisible situations; they are left at home alone or they are cared for in private homes.

There is no way to estimate the number of Kentucky children who are left with home care providers and who are latchkey children. From a comparison of data collected by the Governor's Office and Census Bureau statistics on the number of children who require day care in Kentucky, it is thought that nearly 90,000 children are cared for in private homes. Parents fear that regulation will escalate their costs. The home care providers fear that the state will intervene and close them down, representing a loss of income to the provider.

Where the child is cared for by a family member, legislators are raising questions about whether the state has the right to intervene in the child's care at all, according to Legislative Assistant Bob Gray.

**Latchkey Children**

Latchkey children are problematic because they are left alone. They are difficult to identify because parents are unwilling to admit that their child is left alone. Even if these children could be identified, differences in age, neighborhood environment, and the number of hours the child is left alone make it difficult to gain consensus on minimum standards. Articles in popular journals and magazines have charged that latchkey children are at risk. These children are implicated both as victims and perpetrators in sexual crimes and vandalism. The result of this negative publicity is that parents of latchkey children are very secretive about leaving their children at home alone. More recent studies have revealed that under certain circumstances, a latchkey experience can be beneficial because it allows a child in the proper circumstances to become independent and self-reliant, thus building his/her self-esteem.[65]

Sociologist Margaret K. Nelson argues that the emergence of family day care as an occupation is tied to the dynamics of the local economy. She suggests that the high cost of day care coupled with the relatively low wages many women can earn (given their level of skills) has led to the emergence of home day care provision as an occupation. The high cost of day care has increased the pressure on women's wages, and many women find that staying at home while caring for their own children allows them to earn a low level income while avoiding the issue of paying another to care for their own children.[66] Hoffert and Phillips agree, stating that most in-home care is low cost because the primary wage earner in the family pays the basic expenses, i.e., the cost of physical environment, such as kitchen equipment, toileting facilities, beds, and parking. These costs are borne by the family wage earner as part of the family expenses. Home day care costs remain low because the provider only faces marginal costs, particularly labor.[67] On the other hand, licensed day care providers are faced with capital outlay costs, higher staff costs and higher costs which are incurred as a direct result of regulatory requirements. The geographic isolation and invisible nature of these home care providers make it difficult to establish regulatory procedures that would ensure quality day care in this setting.[68]

This technique has not been especially effective in Kentucky for the reasons stated above. Where parents are satisfied with home care providers or are willing to accept the risks of leaving children at home alone, it becomes difficult for the state to intervene. Over 90,000 Kentucky children under the age of six years are left in unregulated day care. This is demonstrated in the table below.

**TABLE 2-11**

**NUMBER OF KENTUCKY CHILDREN IN INVISIBLE DAY CARE**
(1980 Census Data)

| | Total Number | Preschoolers Children < 6 yrs. & Mothers Employed | School-aged Children 6-17 yrs. & Mothers Employed |
|---|---|---|---|
| | 295,242 | 135,427 | 159,815 |
| Less: Number of Licensed Day Care Slots | | 41,650 | |
| Total Number of Kentucky Children in invisible day care: | 253,592 | 93,777 | 159,815 |

Source: Kentucky's Plan for Early Childhood Education and Development, Interagency Council Advisory Committee, based on 1980 Census Data.

The providers of unregulated day care do not have access to training and technical assistance, information about early childhood programming and development, and information about health and safety.

**Non-Regulatory Approaches to Quality Day Care**

There are a number of non-regulatory ways to insure the quality of day care. Affluent parents can seek out and demand quality day care for their children. Many states have sponsored campaigns to educate the public about what composes quality day care, and what the general public can expect to pay for it. Several states have developed voluntary accreditation programs. These programs allow day care providers to gain access to training and information without fear of overt interference; the day care providers have learned that the sole intent of the state is to upgrade the quality of day care, not to close them down because of violations. Registration, rather than regulation, can have the effect of bringing a large number of providers into the regulatory net.[69]

**Personnel and Quality**

The average child care worker is paid a very low wage. The United States Department of Labor reports that child care worker salaries can range from a low of $4,800 for private home care providers to a maximum of $12,000 for workers employed in structured educational settings.[70] In addition, turnover rates are very high. Both of these factors diminish the quality of day care. The Massachusetts study found that staff continuity is critical to the emotional development and well-being of very young children.[71] Massachusetts improved the quality of day care personnel by establishing a mandatory wage scale that guarantees workers a reasonable living wage. Low wages produce a high rate of staff turnover in most day care facilities.[72]

The wage scale of child care workers is a very controversial issue. Parents fear that an increase in standards for training and levels of educational attainment for child care workers will escalate child care costs beyond the family's ability to pay. On the other hand, in order to hire and keep qualified child care workers, day care providers must provide a living wage.[73] Margaret K. Nelson found that the model earnings of home child care providers in Vermont averaged $3.60 per hour. The average earnings of home-based care for a child not related to the caregiver in Vermont are $180 per week. The home care provider also receives no benefits; she must absorb the costs of food, toys, supplies, insurance and household depreciation. She receives no sick leave and no vacation days.[74]

The addition of training programs can up-grade the quality of day care.[75] Nelson's observations regarding the low wages that many home day care providers can earn outside the home can be interpreted to reflect a low level of skills and educational attainment. On the other hand, state regulation of center provided day care established minimum educational requirements for directors of centers caring for more than four children. Upgrading of educational requirements has the effect of increasing costs. Under the current system, the invisible home day care providers do not have access to training programs, child development workshops, and various types of information about age-appropriate activities, care for sick children and the like. The establishment of a registration system could upgrade the care of the 90,000 Kentucky pre-schoolers who are currently in invisible day care.

The bottom line in day care quality is that the burden of ensuring quality day care for children rests on the parents. The demonstrated shortage of day-care slots, coupled with the projected birth rates and worker shortage will magnify the problem.

# CHAPTER II: FOOTNOTES

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# CHAPTER III: SUMMARY AND POLICY CONSIDERATIONS

## Changes in the Economy, the Family and the Labor Force

As this report has stated, there have been major changes in the structure of the American family, the labor force and the nation's economy that have redefined the child care issue. Child care is no longer a welfare issue or a women's issue, nor is it a luxury; it is an economic necessity and a critical element in strategies to increase the size of the labor force and to encourage economic growth. Future growth depends on attracting and keeping new workers in the labor force, improving productivity of these workers, and producing a well educated, skilled workforce for the future. Child care has become a crucial factor in renewing the productivity of the American labor force and revitalizing the American economy.

The shift in the U.S. economic base from manufacturing to services, along with the increase of women in the work force are very significant changes in the American economy. These trends have, in turn, had an impact on the structure of the American family, with many families now depending on two incomes in order to maintain an adequate standard of living. The dramatic increase of women with children in the labor force is expected to continue. The Children's Defense Fund estimates that by 1995, two-thirds of all school-age children (close to 15 million) will have mothers in the work force, which represents an increase of more than 50% over the 1986 figure of 9.6 million.

The demand for child care will continue to increase as the number of women entering the workforce climbs. However, child care choices remain limited for America's working families. The supply is limited, the cost is high, access is difficult, and quality is an increasing concern. Although states have begun to take the lead in light of shrinking federal support, their progress is slow and uneven. States with strong economies have been able to make some progress, while states with weaker economies have struggled to maintain an already inadequate system of support, or have fallen behind. In some states, like Georgia for example, which was only able to provide child care services to 8,000 of 76,000 eligible children in 1987, had to reduce its child care budget by 12%, according to the State Child Care Fact Book, 1987. Twenty-two states served fewer children in 1987 than in 1981, and 17 states were able to serve more in 1987 than in 1981. Kentucky is one of only four states that were able to serve as many children in 1987 as they did in 1981.

A recent economic and child care policy paper prepared by the New York based Child Care Action Committee reports that although the Federal government needs to develop an overall policy for the child care needs of working families, it is up to the states to develop specific plans and programs to serve the needs of their citizenry. They make a number of recommendations for state and local governments for improving and expanding child care within the state, including:

- Raising the professional status and working conditions of child care providers. The low wages and status of child care workers make it difficult to attract and retain qualified workers. Improving training programs and opportunities for child care providers is important.
- Implementing minimum Federal standards and improving regulations to meet the particular needs of families in their own states.
- Establishing grant and loan programs to aid in start-up and renovation costs to enable providers to comply with health and safety standards and maintain the quality of the program.
- Establishing school-age child care programs for children between the ages of 6-12.
- Including child care as a part of any welfare reform initiatives, including better transitional support and access to subsidized care.
- Expanding resource and referral programs to assess the child care needs of the state's constituents and provide guidance that will form programs to meet those needs, including assistance programs that fulfill the needs of both parents and employers.

(Source: Child Care: The Bottom Line (New York, NY: Child Care Action Committee, 1988)

Employers are encouraged to look at the alternative ways of providing child care support for their employees. Although many employers have begun to take a serious look at the child care needs of their employees and have come to recognize the positive benefits of providing some sort of assistance, a majority of employers have yet to address the issue. If an on-site center is unfeasible, employers might consider the following options:

- Adopting flexible work schedules
- Investing in community-sponsored centers and supporting efforts to expand family day care
- Investing in consortiums or near-site centers
- Establishing resource and referral services

- Providing or purchasing emergency care services and allow parents to use their sick time to care for ill children
- Providing financial assistance to help employees pay for care
- Participate in efforts to improve child care policies by serving on advisory boards and keeping policy makers informed of their employees' needs.

Academics have also been encouraged to play a role aiding the states and employers expanding and improving child care by contributing in a number of ways. The Child Care Action Committee lists the following: investigating alternative funding mechanisms on how a child care system can be financed; analyzing the impact of child care on reducing welfare costs to determine what programs will help the poor become economically self-sufficient; and evaluating existing programs and initiatives of corporations and states.

### Subsidies

Although Kentucky has managed to maintain a certain level of service through the Purchase of Day Care Program, there are still many low-income families in need of child care subsidies. The 60% income eligibility guidelines for the Title XX program is seen by many to be inadequate for serving those families in need in the state of Kentucky. Although it will clearly be a budgetary problem and challenge to raise the maximum percentage of state median income which families can earn and still remain eligible for assistance, it is an issue to be considered. How the state might fund such an increase is beyond the scope of this study, but it may merit further consideration from the state's policy makers. Some states use general tax revenues, while others, like Indiana with its earmarked monies from a cigarette tax, have made a focused effort to develop revenue specifically for increasing their child care services. Further study on funding mechanisms for effectiveness and efficiency are needed to adequately address this issue.

The Federal Child Care Food Program is a major subsidy that Kentucky has failed to access. As a result of our limited number of Family Day Care Homes, we reap very little benefit from this federal subsidy that provides not only monies for food, but also training and technical assistance to day care providers. It is an irony, that Kentucky receives so little support from this program, as Kentucky state representative Carl Perkins was the author of the Child Care Food Program. Policy makers may want to consider taking the steps necessary to make better use of this subsidy.

The state policy for the Job Training Partnership Act Program is organized in such a way that in areas of the state with few licensed child care facilities and no organized child care agencies, the child support services for JTPA participants are very limited. In the affluent areas of the state with strong child care organizations, the JTPA programs offer good child care support services, but in depressed areas of the state where there are already availability problems, this critical support service is not even offered. The lack of any overall state policy has caused an inequitable distribution of support where those who have the greatest need, often receive the least amount of support. As a result of the new Family Support Act, policy makers will be required to restructure the child care services of the state's job training programs.

Kentucky may want to look to the efforts of other states concerning the child care tax-credit. Kentucky's income tax deduction still operates under the 1975 federal guidelines, and is independent of the current federal code. Some advocates suggest that the tax credit could be higher at lower income levels, and be reduced progressively as income increases until it reaches zero at the point of affordability. Also it has been suggested by the Child Care Action Committee that making the credit refundable, in conjunction with these other adjustments, would aid low-income families to increase their earnings and climb out of the poverty cycle.

The passing of the Family Support Act and the likely passing of some sort of federal child care act will call for a closer look at the state's major subsidy programs. How does Kentucky's Title XX subsidized Purchase of Day Care Program impact Kentucky's labor supply? Serious consideration should be given to conducting an assessment of this state program to determine the increases in employment that result from a given subsidy; the reductions in AFDC payments resulting from a child care subsidy; the changes in hours worked and earnings among subsidy recipients; and the differences in the labor supply effects across households. The state should be trying to determine the optimal subsidy arrangement.

**Availability and Accessibility**

The availability of day care in the U.S. has evolved into a distribution problem. Both center-based and home-based day care facilities are concentrated in urban areas. The most important determinant of a working family's ability to obtain day care for their child(ren) is income. The national average for regulated day care costs is $50 per week per child. In order to support herself and two children, a single working parent needs to earn $9 per hour on a full-time job.

Two other issues that affect a family's ability to pay for day care are transportation between the home, school, workplace, and the day care facility; and short-term care for children of parents who work different shifts. Little is known about the extent of these problems. Even in day care centers where transportation between the school and the day care center is available, transportation adds more than $15 per week to the total cost of providing day care for one child. The concentration of day care centers and homes in urban and suburban locations makes transportation a particular problem for rural and inner city parents.

Two-parent families where both parents work different shifts may also experience problems finding day care during the overlap period, between the time one parent gets home from work and the other one leaves. There is little hard data on this topic, but anecdotal evidence suggests that this can be a serious problem for parents who work different shifts. Both of these areas require further study.

During the 1970s it was believed that employer involvement was the solution to accessibility and affordability of day care for working parents. However, due to high start-up costs and limitations of space, the on-site day care center has not been as successful as early proponents suggested. The current trends in employer involvement are purchase of day care as vouchers or through contracts with particular providers, as part of the employee benefits package. This method assumes that day care is available for purchase in that area.

**Licensing and Regulation**

The regulation of day care is intended to set minimum standards of operation for day care providers. The intent of regulation is quality control, but the end result is often that the licensing procedures are complicated and expensive. Many home care providers avoid the expense and legal problems which are part of the permitting process by operating illegally outside of the regulatory net. The two greatest barriers to licensing of home day care providers are zoning ordinances and liability insurance. Kentucky is one of eleven states that requires home day care providers to carry liability insurance, which costs a minimum of $500 up front for a home day care provider. Local enforcement of zoning ordinances often requires a hearings process and can be both expensive and time consuming.

For center-based day care, compliance with regulations can significantly increase operating costs. The fact that Kentucky's regulations are written by one agency of government (The Department of Social Services) and enforced by another (The Office of the Inspector General) often creates confusion. Inspectors may have different interpretations of the regulations, or feel that different areas of concern are more important than others. The differences between the letter and the spirit of the law may create inconsistencies in the enforcement of the regulations.

In its efforts to regulate day care, Kentucky altered its regulations in February, 1988. Nonetheless, the state still has the lowest staff-to-child ratios in the nation. Kentucky also does not regulate group size. These two variables are considered by child development experts to be the most important variables in the development of young children who are being reared in a day care setting. Interaction, i.e., the amount of talking and playing, that the day care provider has with the child is also considered critical. This is a programmatic issue and very hard to legislate, but it is believed that the higher the staff-to-children ratio, the greater the amount of interaction will be.

Nearly 90,000 preschool children in Kentucky are being reared in unidentified and unregulated "invisible" day care. Almost 100,000 school-aged children are also cared for in invisible situations or in self-care. These so called "latchkey" children are very difficult to identify because their parents are very secretive. The parents fear that if/where the child is identified, he or she will be in a vulnerable position.

An alternative to day care licensing as a form of day care regulation is registration. The voluntary registration of home day care providers relies on self-monitoring as a means of enforcing standards. In many states, the parents of the children are asked to help with the enforcement process. The parents are sent copies of the registration forms and the regulations, and asked to report any problems. Where problems are reported, the state may elect to make an official inspection.

If registration were to be adopted as a regulatory technique, home day providers would be eligible to receive financial aid and free training through the federal Child Care Food Program. This program is an outreach of the federal School Lunch Program and not likely to be discontinued by the federal government. Child care advocates estimate that the first year's benefits would amount to $360,000 for this state.

The bottom line in day care is a balancing act between quality and affordability. Affordability limits access. Families are restricted in their choice of day care by what they can pay for. Families who cannot afford to spend $50.00 a week or more for regulated day care are forced to leave their children in less expensive unregulated care. Regulatory attempts to improve quality are likely to increase costs. Enforcement crackdowns are likely to further diminish the already short supply of day care providers. Failure to regulate leaves many children in a vulnerable position. Under the current system and in this situation, the parents bear the burden of determining the quality of day care their children receive. The question then arises as to whether the parents are making real choices, or "making do" with the day care that is available to them. As the demand for more workers in the workforce escalates, the responsibility of change rests on public policy makers, employers and employed parents.

**Policy Considerations**

The purpose of this section is not to recommend or endorse specific policy options for improving and expanding the state's child care services, but rather to provide suggestions and options that have been proposed or implemented in other states and identify areas that may merit serious consideration by policy makers.

The work done in this study documents a tremendous need for more affordable day care in Kentucky and more support for low-to-moderate-income working families. The current need is particularly acute in the inner cities and rural counties. The following policy considerations are offered as possible solutions geared towards increasing the number of day care slots that can be purchased by working parents and providing additional services. The legislature might consider streamlining the licensing procedure in several ways.

1. Award state subsidies or incentive packages, such as tax credits, to new day care providers.
2. Remove or reduce barriers to licensing. This would include the granting of zoning variances by local communities at the request of the state at Cabinet level. The liability insurance requirement, which protects the provider, could be waived in favor of accident insurance, which protects the child.
3. Allow school buses to transport school-aged children and older pre-schoolers between the school and the day care center during the regular school year, where the center is located within the school district.
4. Implement registration of home day care providers which would most likely have the effect of pulling many more providers into the regulatory net. It would also enable the state to gain eligibility for federal Child Care Food Program benefits. The first year's benefits under this program are estimated to be $360,000.
5. Consider options for increasing the 60% income criteria for the Title XX Purchase of Day Care Program.
6. Take a closer look at developing an overall state policy for providing support services through the state's JTPA program.
7. Investigate alternative ways of restructuring the state's tax code and the child care tax-credit.
8. Evaluate the state's existing Title XX subsidy program to determine the optimal subsidy arrangement and analyze the impact of child care subsidies on employment, AFDC payments, and earnings.

Developing and recommending specific proposals is beyond the scope of this study. By analyzing the status of child day care in Kentucky and promoting a greater awareness of the issues and problems associated with child care and the economic vitality of our state and the labor supply, the authors hope that we have encouraged others toward developing effective policies that will better serve the needs of our state.

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